

**AUDIT REPORT
TO
THE CONGRESS OF THE UNITED STATES**

**BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR**

FOR THE FISCAL YEARS ENDED JUNE 30, 1952 AND 1953

**BY
THE COMPTROLLER GENERAL OF THE UNITED STATES**



**COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25**

B-114868

MAR 9 1955

Honorable Sam Rayburn
Speaker of the House of Representatives

Dear Mr. Speaker:

Herewith is a copy of our report on the audit of the Bureau of Indian Affairs, Department of the Interior, for the fiscal years ended June 30, 1952 and 1953. The audit was made by our Division of Audits pursuant to the provisions of the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

The report is also being sent today to the President, United States Senate.

Sincerely yours,

A handwritten signature in cursive script, reading "Frank H. Winter".

Assistant Comptroller General
of the United States

Enclosure

C o n t e n t s

	<u>Page</u>
GENERAL COMMENTS	1
HISTORY AND ORGANIZATION	26
Origin and purpose	26
Organization and management	32
ACTIVITIES	35
Source and use of funds	35
Health, education, and welfare	39
Hospital, disease preventive, and curative services	39
Recovery of costs	41
Collection of fees	43
Staffing difficulties	43
Educational assistance, facilities, and services	45
Bureau schools	46
Johnson-O'Malley contracts	47
Welfare and guidance services	48
Placement and relocation	49
Maintenance of law and order	51
Resources management	52
Irrigation and power	52
Construction	54
Repayment of irrigation construction costs	55
Authority for construction of new irrigation projects	57
Operation and maintenance of irrigation projects	57
Financing of operation and maintenance activities on Indian irrigation projects	59
Collection of reimbursable operation and maintenance appropriations	59
Assessments for operation and maintenance costs	61
Request for reimbursable appropriations based on irrigation project acreage not used or irrigated	62
Operation and maintenance of power systems	62
San Carlos Project	63
Project pumping	65
Power revenues used for construction	66
Title to distribution and transmission lines	66
Flathead Project	66
Colorado River Project	68
Forest and range management	68
Forest management	68
Sustained yield management	69
Timber sales	70
Timber sold under contract	70

	<u>Page</u>
Timber sold under permit	71
Indian free use	71
Timber cut in trespass	72
Recovery of administrative expenses	72
Navajo Tribal Sawmill administrative expenses	74
Range management	76
Grazing trespass	78
Collection of grazing permit issuance fees	78
Protection of forest and range lands	79
Wildlife resources	80
Soil and moisture conservation	80
Activities on intermingled land areas	82
Weed control	83
Roads and trails	83
Supervision of construction by Bureau of Public Roads	84
Transfer of roads	84
Reimbursement of maintenance expenditures	85
Agricultural and industrial assistance	87
Agricultural and home extension services	87
Credit	87
Revolving loan fund	88
Other loan funds	91
Management of Indian trust property	93
Changes in policies on Indian property	93
Land acquisition	95
Land disposition	96
Mineral leasing	96
Other leases	97
Patents-in-fee and certificates of competency to Indians	98
Backlog on land transactions	100
Withdrawal program	103
GENERAL AND FINANCIAL ADMINISTRATION	104
Financial statements	104
Procurement	104
Property management	107
Augmenting of appropriations for "General Administrative Expenses"	111
Limitations imposed by appropriation acts and other acts	114
Passenger motor vehicles	114
Personal services, construction	115
Accounting and internal control	116
Indian Service Special Disbursing Agents	117
Internal auditing	119
SCOPE OF AUDIT	120

SCHEDULE

Power systems--statement of revenues and expenses for 1952 and 1951

Schedule Page

1 122

APPENDIX

Organization chart

125

REPORT ON AUDIT

OF

BUREAU OF INDIAN AFFAIRS

DEPARTMENT OF THE INTERIOR

FOR THE FISCAL YEARS ENDED JUNE 30, 1952 AND 1953

The Division of Audits, General Accounting Office, has made an audit of the BUREAU OF INDIAN AFFAIRS, Department of the Interior, for the years ended June 30, 1952 and 1953, pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

GENERAL COMMENTS

The Constitution of the United States vested in the Federal Government exclusive power to regulate commerce with Indian tribes. In 1789 Congress established the War Department upon whose Secretary devolved all matters relating to Indian affairs (1 Stat. 49, 50). The Bureau of Indian Affairs passed from military to civilian control in 1849, when Congress established the Department of the Interior (9 Stat. 395) and provided for the Secretary of the Interior to exercise the supervisory and appellate powers formerly exercised by the Secretary of War in relation to all acts of the Commissioner of Indian Affairs. The Bureau is responsible for:

1. The trusteeship relating to Indian moneys, lands, resources, and other assets held in trust by the Federal Government.
2. Development, protection, and effective use of Indian lands, resources, and other assets.

3. Providing services to the Indians not otherwise available to them, including education, health, and general welfare.

The administration of the Bureau is vested in a Commissioner appointed by the President on the recommendation of the Secretary of the Interior subject to confirmation by the Senate. The Commissioner is under the supervision of the Assistant Secretary for Public Land Management, Department of the Interior. The present Commissioner, Glenn L. Emmons, was appointed August 10, 1953, succeeding Dillon S. Myer.

At June 30, 1953, the Bureau had a central office located in Washington, D.C., 11 area offices, and 582 other installations in the United States and Alaska. At June 30, 1953, the Bureau had 13,435 employees compared with 12,924 at June 30, 1952.

Based on a reported population of 410,000 Indians, the Bureau has about 1 employee for every 30 Indians. Since the net appropriation for fiscal year 1953 exceeded \$85,000,000, the Bureau has received and expended more than \$200 during the fiscal year for each and every one of the 410,000 Indians reported, irrespective of the extent of service rendered. Some of these Indians, however, receive no direct services from the Bureau.

During the past 30 odd years the Congress has carried on many investigations and issued reports on the activities of the Bureau of Indian Affairs. In addition, the General Accounting Office has issued several reports relating to funds and securities of the several Indian tribes. We made reference to these reports during

our audit, and we noted that certain deficiencies included in the reports are still applicable to the Bureau of Indian Affairs.¹

The following comments are of primary significance in this report.

1. Authority of Secretary of the Interior to grant patents-in-fee and certificates of competency to Indians

Trusteeship of the Federal Government over individually owned Indian land is usually terminated by a patent-in-fee or a certificate of competency issued by the Secretary of the Interior after an application by the Indian. The termination of trusteeship of individually owned Indian land may, therefore, be prevented through failure of the Indian to make an application. Because in most cases taxes are imposed only on lands held by Indians who receive a patent-in-fee or a certificate of competency, the failure to make application may be intentional in many cases.

The Solicitor of the Department of the Interior ruled on February 15, 1954 (M-36184), that:

"The statutes² authorizing the Secretary of the Interior to issue patents in fee to Indian allottees or to the heirs of such allottees do not permit him to issue such patents unless the allottee or his heirs have made an application for the issuance of such patents. As the issuance of a patent in fee abrogates the tax exemption of land covered by the patent, the requirement of an application by the allottee must be implied. ***"

¹See among others S. Doc. 263, 70th Cong., 2d sess.; S. Doc. 310, 78th Cong., 1st sess.; H. Rept. 2503, 82d Cong., 2d sess.; H. Rept. 2680, 83d Cong., 2d sess.; General Accounting Office Report I-17218, April 1, 1952, pursuant to S. Res. 147, 82d Cong.

²Acts of February 8, 1887, as amended (25 U.S.C. 349), and May 29, 1908 (25 U.S.C. 404).

Failure of Indians to apply for certificates of competency and patents-in-fee on allotted lands¹ imposes obstacles to the withdrawal program. Except for certain trust or restricted lands owned by the Osage Tribe, Five Civilized Tribes, and some of the Indians in Nebraska, only lands owned by Indians with certificates of competency or patents-in-fee are subject to the taxes that states levy on their citizens. The states are reluctant to undertake the services of the Bureau of Indian Affairs so long as the lands are free from taxes. Moreover, it is the Bureau's contention that some states would not desire to take over the responsibility of furnishing services to Indians without additional moneys because taxes on Indian lands would not supply sufficient funds to pay for the additional expenses the states would incur in undertaking to supply the additional services.

House Concurrent Resolution 108, Eighty-third Congress, first session, declared that:

"*** it is the policy of Congress, as rapidly as possible, to make the Indians within the territorial limits of the United States subject to the same laws and entitled to the same privileges and responsibilities as are applicable to other citizens of the United States, to end their status as wards of the United States, and to grant them all of the rights and prerogatives pertaining to American citizenship; and *** the Indians within the territorial limits of the United States should assume their full responsibilities as American citizens ***."

¹Allotted lands are those which were granted to individual Indians pursuant to authority in specific treaties or general statutes. Unallotted lands are those which belong to the Indian tribes. Both allotted and unallotted lands are held in trust by the Government for the Indians.

The land problem, in our opinion, is basic to the objectives of an orderly withdrawal program. Until a solution is found, however, for the obstacles which have influenced the Indians to refrain from taking the initiative in obtaining patents, the Bureau will not be able to effectuate the policy of the Congress enunciated above. The withdrawal problem has been further complicated by the fact that the courts have held that the Secretary of the Interior may not issue patents-in-fee, with respect to trust lands in a tax-exempt status, without the consent of the Indian concerned. A further discussion on the granting of patents-in-fee and certificates of competency to Indians appears on pages 98 to 100.

2. Interest paid by Treasury on Indian trust funds and interest charged on revolving fund loans

Certain Indian tribes have large balances of tribal funds in the Treasury that draw 4 and 5 percent interest. Some of these tribes, at the same time, have outstanding funds borrowed from the Government at much lower interest rates, generally 1 or 2 percent. To deprive the Indians of the incentive for such transactions, we are recommending that the Secretary of the Interior provide that new loans from the revolving fund shall include charges for interest at rates not less than those paid to the borrowing Indians for funds maintained by them on deposit in the Treasury.

We are recommending also that the Congress consider enacting legislation to provide that the payment of interest on interest-bearing Indian trust funds on deposit in the Treasury shall be at the average interest rate paid on other Government indebtedness. A further discussion of interest rates appears on pages 89 to 91.

3. Noncompliance with laws

Our audit disclosed certain instances of noncompliance with laws, congressional instructions, or congressional intent. To prevent the recurrence of such action in the future and to strengthen congressional control, the following violations of law or neglect to comply with congressional instructions or intent are called to the special attention of the Congress.

a. San Carlos Irrigation Project--The Bureau has used the revenues derived from the sale of power by the San Carlos Power System to finance new construction costs. Legislation relating to the San Carlos Project shows clearly that the use of power revenues for new construction is without authority of law. More than \$800,000 had been expended from power revenues for this purpose at June 30, 1953. For a further discussion of this matter, see page 66.

b. Recovery of reimbursable road maintenance expenditures--The Bureau has failed to enforce collections from the Navajo Tribe of the amount due to the Government for reimbursable maintenance expenditures on sections of Federal Aid Highway 666 and State Highway 68 in the Window Rock area. At June 30, 1954, reimbursable expenditures of \$330,594 on these two highways had not been collected or recorded on the books of the Bureau as receivables from the Navajo Tribe as required by law (43 Stat. 606, 55 Stat. 207). These expenditures were made annually over a 17-year period from 1932 to 1949, inclusive. Moreover, under the act of April 4,

1910 (25 U.S.C. 145), any tribal funds held by the United States are to be applied to reimbursable accounts. At June 30, 1954, the Navajo Tribe had more than \$15 million of tribal funds on deposit with the United States.

In response to our inquiry, we were informed by the Administrative Assistant Secretary that the subject reimbursable charges would be recorded as amounts due to the Government. The Bureau is opposed, however, to enforcing collection from the Navajo Tribe at this time because of its intention to secure cancellation of the charges by special legislation or by use of the Leavitt Act (25 U.S.C. 386a).

Inasmuch as (1) specific legislation requires the reimbursement of the subject maintenance expenditures from the Navajo Tribe and (2) the Navajo Tribe had more than 15 million dollars of tribal funds on deposit with the United States at June 30, 1954, we are recommending that the Secretary of the Interior enforce collection as required by the act of April 4, 1910 (25 U.S.C. 145). Under this act any tribal funds held by the United States are to be applied to reimbursable accounts. A further discussion of this matter appears on pages 85 and 86.

c. Passenger motor vehicle limitation--The Bureau violated the limitations in the appropriation acts on the number of passenger motor vehicles that could be purchased by means of classifying as trucks purchases of business coupes.

The Bureau purchased 20 vehicles in 1953 and 13 in 1952 which were classified as "trucks, coupe pickups." These automobiles

were actually business coupes with chassis constructed and designed primarily for passenger-carrying vehicles. The only added feature was the addition of a box attachment. Through this means the Bureau exceeded the limitations in the appropriation acts on the number of passenger vehicles that could be purchased. Further comments relating to the passenger motor vehicle limitation appear on page 114.

4. Augmenting of Appropriations for "General Administrative Expenses"

During the fiscal years 1952-54 and continuing in 1955, the Bureau augmented its annual appropriations for "General Administrative Expenses" from funds appropriated by the Congress for those years for other purposes. Bureau obligations for "General Administrative Expenses" incurred for the fiscal years 1952-55 compared with appropriations made for this purpose are summarized.

	<u>Appropriation</u>	<u>Total</u>	<u>GAE obligations</u>	
			<u>From GAE (14_2016) appropriations</u>	<u>From other appropriations</u>
1952	\$3,525,647	\$3,560,144	\$3,494,319	\$ 65,825 ^a
1953	3,525,647	4,351,808	3,482,611	869,197
1954	3,000,000	4,389,375	2,986,790	1,402,585
1955	2,750,000	4,778,084 ^b	2,750,000 ^b	2,028,084 ^c

^aIncomplete because some area offices did not report to the Bureau's central office all such financing.

^bEstimated.

^cAllotted.

The funds for general administrative costs in excess of appropriations were derived primarily from appropriations for (1) health, education, and welfare services, (2) resources management, and (3) construction.

The Bureau's budget justifications submitted to the Congress in support of its request for funds for "General Administrative Expenses" have not made adequate disclosure of its procedure for financing general administrative costs. This Bureau practice serves to nullify the action of the Congress in appropriating for "General Administrative Expenses" amounts smaller than those requested by the Department of the Interior and, in effect, diverts funds appropriated for programed activities. Consequently, congressional control over the use of appropriated funds is seriously weakened.

To provide the Congress with a proper basis for (1) evaluating the Bureau's annual performance of prescribed programs and (2) appropriating funds for the costs of general administration over such performance, we are recommending that the budget estimates and justifications by the Bureau of the Budget, the Department of the Interior, and the Bureau of Indian Affairs disclose fully the manner and means of financing the Bureau of Indian Affairs' costs of general administration. Further comments on the augmentation of appropriations for "General Administrative Expenses" and our specific recommendations to the Bureau of the Budget, the Department, and BIA appear on pages 111 to 114.

5. Recovery of costs for medical, hospital, and dental services

Under the act of May 9, 1938 (52 Stat. 312), and the Code of Federal Regulations (25 C.F.R. 84.8), Indians eligible to receive medical, hospital, or dental services are expected to pay fees,

based upon cost of service, as specified by the Commissioner of Indian Affairs; and free services need not be given to Indians who are financially able to pay such fees and refuse to do so. The Bureau has no standard procedure, however, for verifying an Indian's ability to pay for such services. Moreover, at June 30, 1953, the Commissioner of Indian Affairs had not specified any fee schedules for Indians receiving medical, hospital, or dental services. At some hospitals no charges have been made to Indians, and at other hospitals where certain costs of medical services have been collected, the amounts collected have been nominal.

Persons not otherwise entitled to hospitalization in Bureau hospitals, except for emergency care, and Indian employees of the Bureau and members of their families are required also to pay for hospital services rendered (25 C.F.R. 84.12 and 85.5). At some hospitals, however, the fees charged were not adequate to recover the costs as prescribed by the Secretary's regulations, and little or no collection effort was made where payments had not been received when bills were rendered.

We are recommending to the Secretary of the Interior and the Bureau to take appropriate action to reduce the net cost of providing medical, hospital, and dental services. Specific recommendations and further comments on this matter appear on pages 41 to 43.

6. Collection of reimbursable irrigation operation and maintenance assessments

Collections of irrigation operation and maintenance assessments which were paid previously from reimbursable Federal appropriations are required by law (25 U.S.C. 385) to be reimbursed to the United States Government. At June 30, 1953, however, this type of collection, except for one project, has been deposited by the Bureau into the applicable project trust fund. The funds available for operation and maintenance of irrigation projects have thereby been supplemented.

In May 1951 a separate miscellaneous receipt account (Symbol No. 143558) for recoveries on account of reimbursable irrigation maintenance charges was established by the Treasury at the request of the Department of the Interior. In April 1952 the Executive Officer of the Bureau notified the field offices (order 506, supplement 14) that appropriate accounts should be established to properly identify operation and maintenance collections which are required to be deposited in the United States Treasury under this receipt symbol. One of the required deposits is "All collections of operation and maintenance assessments, the charges for which were paid previously from reimbursable Treasury appropriations." Nearly 2.9 million dollars of reimbursable appropriations were made from July 1, 1948, to June 30, 1953, whereas only \$244 was deposited into the Treasury as miscellaneous receipts for recoveries on account of reimbursable maintenance charges during the same period.

The accounting records maintained by the Bureau do not permit a precise determination of the amounts collected which had previously been financed from reimbursable Treasury appropriations or the amounts by which operation and maintenance funds have been supplemented in fiscal year 1953 and prior years.

To assure the proper application of collections and the recovery of amounts due to the Government, we are recommending that the Bureau's records be maintained in a manner that will disclose adequately the collections of assessments financed by reimbursable appropriations. Further comments on reimbursable irrigation and maintenance assessments appear on pages 59 to 61.

7. Irrigation operation and maintenance assessment rates are inadequate to cover costs

Although it is the stated policy of the Bureau of Indian Affairs to charge irrigation water users amounts for delivery of water sufficient to cover all operation and maintenance costs on most projects and to place irrigation projects on a self-sustaining basis, on certain Indian irrigation projects the assessment rates were not sufficient to recover the operation and maintenance costs. We are recommending that the Bureau set assessment rates on Indian irrigation projects that are adequate to cover all operation and maintenance costs in accordance with the Bureau's stated policy. For a further discussion of this matter, see page 61.

8. Power purchased for resale

The San Carlos Power System purchases power from non-Bureau sources for the purpose of resale to commercial and industrial

concerns, electric utilities, and others. The history of the legislation authorizing the development of electric power by the Bureau of Indian Affairs at the San Carlos Project (45 Stat. 210) indicates that the generation of power was intended to be incident to the operation of project irrigation facilities. In the past few years, however, about one-third of the total electrical energy available has been used for irrigation pumping. The major portion of the power available has been sold to commercial and industrial concerns and to electric utilities. Although the Coolidge Reservoir, from which the power system generates its hydroelectric power, has been less than half full since construction, the Bureau has constantly increased its power purchases to take care of continually expanding power contract commitments. The amounts of purchased power have increased steadily. In the period 1929-30 only 1 percent of the total energy available was purchased compared with 77.7 percent purchased in calendar year 1952. See page 64 for a further discussion of power purchased for resale.

9. Power for project pumping furnished without charge

For the period 1935-52 about one-third of the total electrical energy delivered by the San Carlos Power System has been used for irrigation pumping. The beneficiaries of this power are the San Carlos Irrigation Project water users, most of whom are non-Indians. The Bureau has not charged the water users for this service. Consequently, at December 31, 1952, the Bureau reported a cumulative deficit from power for pumping operations of

\$1,677,064. Moreover, based on Bureau records, the cumulative deficit from power for pumping operations resulted in a net project deficit from all operations of \$258,158 at December 31, 1952. This is significant because specific laws (45 Stat. 210; 31 U.S.C. 725s-3) provide that part of the net power revenues are to be used to repay the Government for the cost of the San Carlos Irrigation Project.

In May 1953 the San Carlos Project engineer submitted to the director of the Bureau's Phoenix area office a proposed rate schedule applicable to electric service supplied to project irrigation pumps. We were informed, however, that at June 1954 the proposed rate schedule had not been approved, and that collections had not been made from the water users for the power used to operate the project pumps.

We are recommending that the Secretary of the Interior and the Commissioner of Indian Affairs take immediate action to operate the San Carlos Power System on a sound financial basis so that increased net power revenues may be available to repay the Government for the cost of the San Carlos Irrigation Project as provided by law. Further comments on this matter appear on page 65.

10. Inadequate fiscal records on administrative expenses applicable to timber sales

Under the act of February 14, 1920, as amended (25 U.S.C. 413), and regulations prescribed thereunder, a sufficient deduction is to be made from the gross proceeds received from timber sold under the Bureau's supervision to cover administrative

expenses. The amounts so collected are required to be deposited into the Treasury as miscellaneous receipts, except when the expenses of the work are paid from tribal funds, in which event they are credited to such funds.

The regulation prescribed by the Secretary of the Interior (25 C.F.R. 61.25) lists the items of cost to be considered in the recovery of administrative expenses. The Bureau's fiscal records, however, do not provide for obtaining such costs.

To determine accurately the extent to which administrative costs are covered by deductions from gross timber sale proceeds, we are recommending that the Bureau maintain appropriate fiscal records in conformity with the applicable regulation. Under various agreements with Indian tribes the amount of timber proceeds to be deposited into the Treasury as miscellaneous receipts for repayment of administrative costs is dependent upon accurate determination of the administrative costs incurred in the sale of timber. Further comments on this matter appear on pages 72 and 73.

11. Recovery of administrative expenses at Navajo Tribal Sawmill

For the period 1948-52, about \$39,600 is due the Bureau from the Navajo Tribe for recovery of administrative expenses in connection with services performed for the Navajo Tribal Sawmill. The Bureau has not charged for this service as required by the applicable regulation. Moreover, in fiscal year 1954 the Bureau issued instructions that no deduction is to be made from stumpage used by the Navajo Tribal Sawmill to cover administrative expenses for fiscal year 1954 and all previous years. The retroactive waiver taken by the Bureau appears plainly to be in excess of the authority granted to the Commissioner by the regulation.

We are recommending that the Bureau enforce the regulation requiring the charge of fees for such administrative services. Such action will reduce the amount of administrative expenses to be borne by the Federal Government. For a further discussion of this matter, see pages 74 and 75.

12. Soil conservation activities on intermingled land areas

A duplication of effort exists when the Department of Agriculture and the Bureau of Indian Affairs perform soil conservation activities in a geographical area in which Indian and non-Indian lands are intermingled, such as in eastern Oklahoma.

To overcome such duplication of effort, we are recommending that the Secretary of the Interior negotiate voluntary agreements with the Secretary of Agriculture to provide for only one of these two agencies to carry out soil conservation activities in geographical areas where Indian and non-Indian lands are intermingled. A further discussion of this matter appears on pages 82 and 83.

13. Procurement practices and procedures

Our review of the Bureau's procurement practices and procedures disclosed numerous deficiencies and recurring irregularities. Important regulations by the General Services Administration and Bureau manual requirements were violated or circumvented. For example, open market purchases of General Services Administration stock items were made without necessary clearances, employees without delegated procurement responsibilities handled entire transactions, standard procedures did not exist for determining the availability of items in storerooms before issuing purchase orders thereby resulting in excessive purchase orders being issued, and goods and services were reordered under terms of contracts which had expired.

We are recommending that the Bureau take effective action to eliminate the numerous deficiencies and recurring irregularities

in sound procurement practices and procedures. Further comments on this matter appear on pages 104 to 106.

14. Deficiencies in property management

Our audit disclosed serious deficiencies in property management, i.e., control, care, and use of Federal Government property and supplies. Although a property management program was instituted in 1950 and certain deficiencies were corrected, all property and equipment owned were not recorded properly on the Bureau's records at June 30, 1953. Property and equipment records were not always maintained, were maintained inadequately, or were not kept in accordance with provisions of the Indian Affairs Manual. In one area large quantities of materials were in excess of the needs of the branch that purchased or ordered them. At Mount Edgecumbe, Alaska, large quantities of military surplus equipment and stores, which had never been inventoried, were on hand but no efforts had been made to formally dispose of this excess.

The usage of motor vehicles in various areas showed that motor vehicle needs should be reexamined. In certain areas some motor vehicles received little or no use during the year. In one area the control of vehicles was vested in the branch financing the purchase of the vehicle, and the branch, rather than the property management section, was responsible for the operation and maintenance of the vehicle. There were no consolidated garages or effective maintenance programs in this area.

In one area several operating branches of the Bureau operate independent heavy equipment shops. Duplicate levels of supervision and parts storehouses result where two or more of these shops operate in the same general location.

To prevent the repetition of the serious deficiencies in property management disclosed by our audit, we are recommending to the Bureau an aggressive program of instruction and supervision by area and central office officials. Further comments and specific recommendations on this matter appear on pages 107 to 110.

15. Indian Service Special Disbursing Agents

The Bureau has bonded disbursing officers, called Indian Service Special Disbursing Agents, who perform commercial banking services for individual Indians and Indian tribes. These agents also have bonded assistants known as Deputy Disbursing Agents. The Bureau reported that these fiscal agents handled more than 88,000 accounts with balances of more than \$61,000,000.

Our audit disclosed many deficiencies in the accounts and procedures of the Indian Service Special Disbursing Agents (ISSDA's) and their deputies. For example, control over individual Indian moneys was completely inadequate, the individual account ledger and supporting records of receipt and disbursement were generally in deplorable condition, certain accounts were apparently overdrawn, and collections were not deposited promptly. Moreover, in many instances responsible Bureau officials at field locations showed little concern regarding the poor condition of the ISSDA records and the weaknesses and deficiencies in the procedures followed.

In fiscal year 1952 the Bureau discovered that a Deputy Disbursing Agent had embezzled more than \$20,000 from a number of Indians during the period 1945-51. This matter has been referred to the Department of Justice. The employee is in prison, however, on a separate embezzlement charge in a case brought to court by the Veterans Administration.

Similarly, embezzlement by a Bureau-authorized collector agent of more than \$750 in collections belonging to the Government was disclosed by our audit in July 1953. The estimated amount embezzled was recovered from the employee. At November 1, 1954, although this matter had been investigated by the Department of the Interior, a report had not been written and the case had not been referred to the Department of Justice for possible criminal action against the employee.

To discharge satisfactorily its responsibility for handling individual Indian money accounts, we are recommending that the Bureau take aggressive action to insure that procedures and regulations outlined in the Indian Affairs Manual are followed closely. We are recommending also that the Department of the Interior make prompt investigation of cash irregularities which have been disclosed, so that reports may be issued promptly to the Department of Justice if criminal prosecution appears warranted. We believe that prompt criminal prosecution of embezzlements would have a marked salutary effect on the operation of the Bureau's collecting and disbursing agents. See page 117 for further comments on Indian Service Special Disbursing Agents.

16. Internal auditing

Since its inception in January 1953, the internal audit staff has been occupied mainly with operating and administrative duties rather than internal auditing. In view of the disclosure during our audit of numerous widespread deficiencies in the accounts and financial administration of the Bureau, we believe the need exists for considerable development of the internal audit organization and an enlarged scope of internal audit work. We are recommending, therefore, that the Bureau take appropriate action to bring into effect a program of this nature. Further comments on internal auditing appear on page 119.

17. Transfer of hospital administration and facilities to the Public Health Service

By the act of August 5, 1954 (68 Stat. 674), the maintenance and operation of hospitals and health facilities for Indians was transferred from the Bureau of Indian Affairs, Department of the Interior, to the Public Health Service, Department of Health, Education, and Welfare. The transfer does not become effective until July 1, 1955. The Bureau has had considerable difficulty in recruiting medical personnel due to various reasons, such as low salaries paid under Civil Service and lack of accreditation of Bureau hospitals as teaching hospitals by the American Medical Association. Officials of the Department of the Interior and Bureau of Indian Affairs have stated that the Department of Health, Education, and Welfare and the Public Health Service could attain health objectives of the Indian more quickly than the Bureau of

Indian Affairs. Further comments on the transfer of hospital administration and facilities appear on pages 43 and 44.

18. Recoupment of Federal aid under Johnson-O'Malley contracts

Various acts passed by the Congress contain provisions for recoupment of Federal aid advanced to states for construction, enlargement, and improvement of local school facilities. The recoupments were required generally within a period of 30 years, plus 3 percent interest. Prior to 1949 recoupment of Federal aid was to be made by reducing or eliminating tuition payments to the states for the education of Indian children. In the past few years, however, the stated policy of the Bureau is to negotiate Johnson-O'Malley contracts on a basis of need and not on a per capita basis. In negotiating Johnson-O'Malley education contracts, the Bureau considers the recoupment payment as part of the financial need of the state, county, or district. This procedure has the effect of converting said Federal aid funds into a Federal grant. The Bureau adds the payment for recoupment plus interest to the operating costs to be borne by the Bureau in determining the amount needed, from which the amount for recoupment plus interest is then deducted. Consequently, there is no recoupment.

Our audit disclosed also that Johnson-O'Malley contracts entered into by the Bureau were not always made on the basis of need. In one instance the records of the school district receiving Federal aid showed a surplus. Further comments on this matter appear on pages 47 and 48.

19. Collectibility of many revolving fund loans is doubtful

At June 30, 1953, the amount due the revolving fund for loans to Indian tribes, corporations, credit associations, cooperative associations, and enterprises totaled \$10,190,941. The collectibility of many of the loans included in this balance is doubtful. At June 30, 1953, more than 4.5 million dollars or about 44 percent of the balance had been used for loans to four Alaskan salmon canneries and to villages in southeast Alaska. Because of the unfavorable fishing seasons, the Bureau had two special credit operation studies in Alaska made by management consultants during fiscal year 1953. These special studies listed many weaknesses in the operation of the canneries and made recommendations thereon. At October 1, 1954, however, no action had been taken by the Bureau on the recommendation in the studies, but the matter is under advisement.

In addition to balances of loans to Indians and Indian tribes, the Bureau reported under 25 U.S.C. 145 at June 30, 1953, more than \$73,000,000 in reimbursable appropriations as due the United States under 605 accounts from 44 identifiable Indian tribes. See pages 87 to 92 for a further discussion of the Bureau's credit activity.

20. Accounting deficiencies

Our audit disclosed numerous deficiencies in almost every phase of accounting operations, particularly on irrigation and individual Indian money accounts. Deficiencies in accounting for

irrigation costs is particularly significant because most of the funds expended for irrigation purposes are reimbursable. We have reported many of the deficiencies to the Commissioner and have made recommendations thereon for corrective action. We believe the adoption of the recommendations made in the area audit reports will result in greater efficiency and economy in the Bureau.

Early in calendar year 1953 the Bureau installed a new accounting system through the joint efforts of the Bureau, the Division of Budget and Finance of the Department of the Interior, and the Accounting Systems Division of the General Accounting Office. The present prescribed accounting system is adequate. It is based upon recognized principles of accounting. Our audit disclosed, however, numerous deficiencies in the accounts and that there is need for substantial improvement. A further discussion on this matter appears on pages 116 to 119 and pages 59 to 61.

21. Limitation on personal services,
construction appropriation

The construction appropriation for fiscal year 1952 included a limitation on personal services of \$2,642,950. This limitation was applicable only to the \$10,575,000 appropriated for construction for fiscal year 1952. The Bureau's methods of commingling and not segregating the different year construction funds made it impossible to ascertain the degree of compliance with the limitation on personal services from construction funds. Even if the moneys were segregated, the effectiveness of the limitation was greatly reduced because the next preceding and next succeeding

year of appropriated construction funds contained no personal service limitations. For fiscal year 1955, however, the appropriation language on limitation for personal services strengthens the congressional control over such expenditures. The maintenance of adequate records by the Bureau should make the limitation more effective in the future. See page 115 for a further discussion of limitation on personal services, construction appropriation.

HISTORY AND ORGANIZATION

ORIGIN AND PURPOSE¹

Under the Articles of Confederation (1777) Congress was given exclusive power of "regulating the trade and managing all affairs with the Indians, not members of any of the States, provided that the legislative right of any State within its own limits be not infringed or violated." The Confederation made no material modifications of policy, but in a treaty with the Delawares in 1778 it gave the Indians the right to send delegates to the Congress if they chose. Thus was initiated the idea of an Indian state in the union, a proposal which was to be repeatedly advocated for over a century.

Article I, section 8, clause 3, of the Constitution of the United States vested in the Federal Government exclusive power to regulate commerce with Indian tribes. In 1789 Congress established the War Department, upon whose Secretary the President placed responsibility for all matters relating to Indian affairs entrusted to him (1 Stat. 49-50). In 1790 Congress passed the first act to regulate trade and intercourse with Indian tribes and conferred extensive regulatory powers on the President (1 Stat. 137). In an effort to restrict the evils of private trading, trading houses under Government ownership were authorized in 1796 (1 Stat. 452). In 1806 a provision was made for a superintendent of Indian trade to serve as a permanent central agent for directing Government trade with the Indians (2 Stat. 402). Persistent opposition by private trading interests resulted in the abolition of this office in 1822 (3 Stat. 679); 2 years later the Bureau of Indian Affairs was established. In 1832, a Commissioner of Indian Affairs was appointed (4 Stat. 564) to take charge of all matters arising out of relations with the Indians, and in 1834 the Department of Indian Affairs was organized as an agency of the Department of War (4 Stat. 735).

The Bureau of Indian Affairs passed from military to civilian control in 1849 when Congress established the Department of the Interior (9 Stat. 395) and provided for the Secretary of the Interior to exercise the supervisory and appellate powers formerly exercised by the Secretary of the War Department in relation to all acts of the Commissioner of Indian Affairs.

¹Considerable data in this section was obtained from the "Handbook of Federal Indian Law" compiled by Felix S. Cohen, former chairman, Board of Appeals, Department of the Interior.

In 1869 Congress created the Board of Indian Commissioners (16 Stat. 13, 40) in an effort to correct mismanagement in the purchase and handling of Indian supplies. This board was composed of not more than 10 individuals who were appointed by, and reported to, the President and exercised control over Indians jointly with the Secretary of the Interior. In 1870 the board was empowered (16 Stat. 335, 360) to supervise all expenditures of money appropriated for the benefit of Indians and to inspect all goods purchased for the Indians. The Board of Indian Commissioners, which was entirely independent of the Bureau of Indian Affairs, functioned until 1933 when it was abolished by Executive Order 6145. The Secretary of the Interior now has sole supervision over public business relating to the Indians and the Commissioner of Indian Affairs has sole supervision over the management of all Indian affairs and of all matters arising out of Indian relations under the direction of the Secretary of the Interior and according to regulations prescribed by the President.

Realization of the inexpediency of treating the Indian tribes as self-governing entities led in 1871 (16 Stat. 566) to the abandonment of the policy of regulating Indian affairs by treaty, in favor of congressional legislation and simple agreements, although existing treaties were not thereby impaired. With the abandonment of treaty making, the reservation system remained the dominant characteristic of American Indian policy.

The passage of the Dawes Act in 1887 (24 Stat. 388-389) provided that individual Indians might receive a "trust patent" (allotment system) from the Government for an allotment of land on the tribal reservation. Though the Dawes Act made it basic policy, the allotment of land to individual Indians had already been carried out in prior years. At the end of a 25-year trust period, full control of the land was to pass to the individual Indian. This act was amended several times.

The Dawes Act further provided that citizenship was to follow automatically upon the grant of a trust patent. The Burke Act of 1906 (34 Stat. 182-183) facilitated the grant of full control by providing that the trust period might be shortened if the Indian was able to manage his own property. In 1919 a law (41 Stat. 350) conferred citizenship on all honorably discharged Indian soldiers who asked for the privilege. Further, on June 2, 1924, an act (43 Stat. 253) conferred citizenship on all noncitizen Indians born within the territorial limits of the United States. It was provided also that such grant shall not in any manner affect the right of any Indian to tribal or other property.

An act passed on November 2, 1921, known as the Snyder Act (42 Stat. 208), provided that, "The Bureau of Indian Affairs *** shall direct, supervise, and expend such moneys as Congress may from time to time appropriate, for the benefit, care, and assistance of the Indians throughout the United States ***."

On May 21, 1934, an act (48 Stat. 787) was enacted which repealed 12 sections of the United States Code that placed restrictions upon civil liberties in Indian country. This statute marked the first step of freeing the Indians and the Indian Service from laws that had been made obsolete by changed conditions.

An act passed on April 16, 1934, as amended (25 U.S.C. 452-456), known as the Johnson-O'Malley Act, authorized the Secretary of the Interior to enter into contracts with any state or territory, or political subdivision thereof, or with any state university, college or school, or with any appropriate state or private corporation, agency, or institution, for the education, medical attention, agricultural assistance, and social welfare of Indians. This act provided the means for integrating Indians with the general populace by facilitating the obtaining of services for Indians through the same channels as are available to the general citizenry.

Tribal self-government

Recognition of the sovereign rights of Indian tribes was voiced in 1832 in the case of Worcester v. Georgia (Pet. 515) when the Supreme Court of the United States through C. John Marshall declared that Indian tribes were entitled to exercise their own inherent rights of sovereignty insofar as they were consistent with Federal law.

Official congressional recognition of this sovereignty, however, did not appear until many years later with the passage of the Indian Reorganization Act (48 Stat. 984), approved June 18, 1934.

The Indian Reorganization Act provided the legal machinery for facilitating tribal self-government. Specifically it is an act:

"to conserve and develop Indian lands and resources; to extend to Indians the right to form business and other organizations; to establish a credit system for Indians; to grant certain rights of home rule to Indians; to provide for vocational education for Indians; and for other purposes."

The act was subsequently amended on June 15, 1935 (49 Stat. 378), to define election procedures for the holding of elections under the provisions of the act. Almost a year later, May 1, 1936, the President gave his approval to the Alaska Act (49 Stat. 1250), which extended certain provisions of the Indian Reorganization Act to the Territory of Alaska, and provided for the designation of Indian reservations in Alaska, and for other purposes. Of major importance also was the passage of the Oklahoma Indian Welfare Act (49 Stat. 1967) which was approved June 26, 1936, and which extended to the Oklahoma Indians the right to share in the program of self-government, corporate organization, credit, and land purchase.

The Indian Reorganization Act carried a provision which specified that the act shall not apply to any reservation wherein a majority of the adult Indians, voting at a special election duly called by the Secretary of the Interior, shall vote against its application. The act placed the responsibility upon the Secretary of the Interior to conduct such elections within one year after the passage of the act. The amendment of June 15, 1934, extended the voting period an additional year. Neither the Alaska Act nor the Oklahoma Welfare Act contained such a provision.

During the 2-year voting period 258 elections were held. The results of the elections are as follows:

Voted to accept the law	181 tribes
Voted to reject the law	77 tribes

Fourteen tribes, exclusive of Oklahoma and Alaska, did not have an election, and by the provisions of the Indian Reorganization Act, it automatically applied to them.

At June 30, 1953, the status of tribal organization can be summarized as follows:

Organized pursuant to acts of Congress:	
Operating under constitutions	182 tribes
Operating under charters	154 tribes
Operating under constitutions adopted prior to the passage of congressional acts	4 tribes

At the same date 22 additional Indian tribes, not organized under congressional acts, operated under constitutions.

Function of the Bureau of Indian Affairs

The function of the Bureau of Indian Affairs is to carry out the responsibility of the United States, by treaty or otherwise, for the assimilation of Indian groups and individuals. The main objectives of the Bureau as set forth in the Official Organization Handbook of the Department of the Interior may be enumerated as follows:

1. The creation of conditions under which the Indians will advance their social and economic adjustment in a complex world.
2. The adaptation of native institutions and attitudes to best secure such adjustment.
3. The organization of Indian tribes to enable them to manage their own affairs.
4. The termination, at the appropriate time, of Federal supervision and services special to Indians.

Policies of the Federal Government toward the Indians have varied widely over the years. Treaties were negotiated by the Government with various Indian tribes until prohibited by Congress in 1871 (16 Stat. 544, 566). From 1871 to 1934 dealings with Indians were based mainly on legislation of the Congress, while from 1934 to the present the tendency toward greater responsibility for the Indians to manage their own affairs has prevailed.

The Bureau of Indian Affairs has the responsibility for:

1. The trusteeship of Indian moneys, lands, resources, and other assets held in trust by the Federal Government.
2. Development, protection, and the effective use of Indian lands, resources, and other assets.
3. Providing services to the Indians not otherwise available to them, including education, health, and the general welfare.

The annual report of the Commissioner, Bureau of Indian Affairs, to the Secretary of the Interior for the fiscal year ended June 30, 1949, states in part,

"The Goal"

"The United States has two responsibilities toward the Indian people: to protect their property, and to provide services not otherwise available to them. The Government's protective function was not imposed. It was an obligation assumed in part payment for value received. *** As a coordinate of this program, the Government must intensify its efforts to train Indians, to secure them in good health, and to work toward placing them in communities where they can support themselves, when such support cannot be obtained in the reservation areas. The ultimate purpose of Indian policy is to attain the objective stated by Thomas Jefferson: 'The ultimate point of rest and happiness for them (the Indians) is to let our settlements and theirs meet and blend together, to intermix, and become one people.'"

It should be recognized that, under the policy of Indian assimilation, the Bureau of Indian Affairs must eventually transfer its responsibilities in part to the individual tribes and in part to various other Federal agencies and state and local governments which normally provide such services to non-Indian citizens.

"Who is an Indian?"

An important problem exists with respect to the definition of, "Who is an Indian?" There are the cultural, biological, and legal aspects to this question. Our comments are confined to the legal aspects.

Congress has enacted various laws defining an "Indian" for special and specific purposes, such as education provisions of the Indian Reorganization Act and others. The definitions of an Indian in these laws are inconsistent with one another. The Bureau has used its judgment in applying such definitions. Generally, it appears that either a person with one-quarter or more degree of Indian blood or a descendent of a member of a recognized tribe is considered to be an Indian. No consistent basis, however, has been used; as an example, the respective tribes who obtained charters, under the Indian Reorganization Act, were allowed to prescribe the requisites for tribal membership. Such requisites vary, to a large extent, between the respective tribes.

On January 12, 1954, the Secretary of the Interior approved a survey team report on reorganization of the Bureau. The survey team recognized the problem that no one can answer precisely the question, "Who is an Indian?" The report concluded that: "The question is complex, but until it is settled by law, the problem remains open-ended and not even a gradual narrowing of the limits of Federal responsibility will be possible." Companion bills were introduced in both houses of the 83d Congress, second session (H.R. 7445 and S. 2797) to define an Indian for the purpose of providing special Federal services and for other purposes. At June 30, 1954, these bills were not reported on by the committees to which referred.

Expansion of activities
of the Bureau of Indian Affairs

The following summary of appropriations and the number of employees shows the growth of the Bureau since 1900.

<u>Fiscal year</u>	<u>Number of employees at June 30</u>	<u>Appropriations</u>
1900	(not available)	\$ 8,288,160
1910	"	11,975,918
1920	5,542	11,286,311
1930	7,295	18,879,036
1940	12,977	35,410,671
1950	13,565	67,469,746
1953	13,435	87,080,407

Fiscal period (inclusive)

<u>Fiscal period (inclusive)</u>	<u>Appropriations</u>
1901-1910	\$ 106,122,000
1911-1920	107,824,000
1921-1930	138,273,000
1931-1940	267,733,000
1941-1950	400,349,000
1951-1953	238,339,000

\$1,258,640,000

The summaries above are limited to direct appropriations by the Congress to the Bureau. The report of the Commissioner of Indian Affairs for 1900 shows that total expenditures for the Indian service from March 4, 1789, to June 30, 1900, were \$368,358,000. Inasmuch as only small amounts of funds appropriated to the Bureau have been returned to the Treasury unexpended, the total direct appropriations expended for the benefit of Indians from 1789 through June 30, 1953, are in excess of \$1,626,000,000.

Despite the vast expenditures by the Government for the benefit of Indians in the past 160 years, the Bureau's progress of integrating Indians with the rest of the population has been very slow. At June 30, 1953, the Bureau still had jurisdiction of about 60 million acres of Indian lands and ministered to the needs of an Indian population in the United States and Alaska of about 410,000 persons. The Bureau administers some 5,000 laws and 370 treaties relating to Indians or Indian lands.

ORGANIZATION AND MANAGEMENT

At June 30, 1953, the Bureau organization consisted of a central office with various divisions in Washington, D.C., concerned principally with staff functions, and 11 areas each consisting of an area office patterned after the central office with a varying number of field installations in each area. An organization chart of the Bureau is shown on page 125. During fiscal year 1954 the number of area offices was reduced to 10 by the consolidation of the Albuquerque, New Mexico, and Window Rock, Arizona, area offices at Gallup, New Mexico. The number of employees and installations in each area at June 30, 1953, is summarized.

Area offices:	Number and nature of installations reporting direct				Total	Number of employees
	Health	Educa- tion	Irriga- tion and power	Admin- istration		
Aberdeen, S. Dak.	12	64	4	13	93	1,489
Albuquerque, N. Mex.	8	33	4	4	49	1,310
Anadarko, Okla.	4	8	-	7	19	896
Billings, Mont.	7	8	9	8	32	898
Juneau, Alaska	7	94	-	5	108 ^a	1,155
Minneapolis, Minn.	6	7	-	6	21 ^a	684
Muskogee, Okla.	4	16	-	9	29	715
Phoenix, Ariz.	10	29	13	9	61	1,822
Portland, Ore.	5	3	6	12	26	1,322
Sacramento, Calif.	2	-	8	5	15	177
Window Rock, Ariz.	8	74	2	12	97 ^a	2,674
	73	336	46	90	550	13,142
Central office	-	-	1	31	32	293
	<u>73</u>	<u>336</u>	<u>47</u>	<u>121</u>	<u>582^a</u>	<u>13,435</u>

^aIncludes the following miscellaneous activities: Juneau, 2 vessels; Minneapolis, 2 sawmills; Window Rock, 1 range laboratory.

Most of the Bureau's permanent positions are under the Classification Act of 1949. The number of employees in each activity of the Bureau at June 30, 1952 and 1953, is summarized:

	Number of employees	
	June 30, 1953	June 30, 1952
Health, education, and welfare services:		
Hospital, disease preventive, and curative services	3,008	2,999
Educational assistance, facilities, and services	4,106	4,230
Welfare and guidance services	112	84
Placement services	73	75
Maintaining law and order	74	75
	<u>7,373</u>	<u>7,463</u>
Resources management:		
Forest and range lands	410	406
Fire suppression	100	45
Agricultural and industrial assistance	243	283
Soil and moisture conservation	350	240
Operation, repair, and maintenance of Indian irrigation systems	739	681
Operation and maintenance, power systems, Indian irrigation projects	146	137
Repair and maintenance of roads and trails	438	431
Development of Indian arts and crafts	5	5
Management of Indian trust property	263	240
Repair and maintenance of buildings and utilities	363	328
Weed control	48	23
	<u>3,105</u>	<u>2,819</u>
Construction:		
Buildings and utilities	411	420
Roads and trails	644	323
Irrigation systems	393	386
	<u>1,448</u>	<u>1,129</u>
General administration	632	629
Missouri River basin study	53	74
Payment to Choctaw and Chickasaw Nations of Indians	-	14
Various activities supported by:		
Indian tribal funds	448	387
Indian moneys, proceeds of labor	376	409
	<u>877</u>	<u>884</u>
	<u>13,435</u>	<u>12,924</u>

At June 30, 1953, the Bureau had 13,435 employees compared with 12,924 at June 30, 1952, an increase of 511 employees. The increase was due principally to the addition of 321 employees in the construction of roads and trails activity and 110 employees in the soil and moisture conservation activity.

ACTIVITIES

SOURCE AND USE OF FUNDS

Revenues collected by the Bureau are deposited in the Treasury. Except for miscellaneous receipts deposited in the general fund of the Treasury, all revenue is available for expenditure by the Bureau of Indian Affairs. Total receipts for fiscal years 1952 and 1953 amounted to \$37,196,754 and \$30,368,909, respectively. Miscellaneous receipts deposited in the general fund of the Treasury during fiscal years 1952 and 1953 amounted to \$1,935,653 and \$1,413,191, respectively, and were derived mainly from fees to defray the Bureau's costs of administering the sale of timber, recoveries of irrigation system reimbursable construction charges, sales of Government property, and rentals of land. Receipts available for expenditure were received principally from Indian tribes, recoveries of irrigation system reimbursable maintenance charges, sales of power and other utility services, and sundry receipts deposited to the account "Indian Moneys, Proceeds of Labor." The decrease in revenue during fiscal year 1953 compared with fiscal year 1952 was caused principally by the payment in fiscal year 1952 of \$8,500,000 to the Menominee Tribe of Indians. This payment resulted from a judgment in favor of the Tribe by the United States Court of Claims (119 C.Cls. 832) in settlement of the Tribe's claims relating to the Bureau's mismanagement of tribal trust property.

As summarized in the tabulation which follows, total funds available to the Bureau amounted to \$216,378,595 for fiscal year 1952 and \$224,756,004 for fiscal year 1953. A summary of the source and application of funds for these years follows.

Funds available	Fiscal year	
	1953	1952
Appropriations by the Congress	\$ 87,080,407	\$ 73,590,408
Less appropriation for liquidation of contract authorization	1,380,000	1,745,000
Net increase (-decrease) in advance obligations in Alaska (58 Stat. 266)	<u>-4,296</u>	<u>106,118</u>
	85,696,111	71,951,526
Reimbursements collected	551,772	562,735
Transfers from other Government agencies	382,403	833,140
Receipts:		
Miscellaneous trust funds (tribal funds)	19,545,914	28,922,021
Proceeds from revolving fund operations	2,727,989	1,474,527
Indian moneys, proceeds of labor, agencies, schools, etc.	2,526,445	1,141,059
Operation and maintenance, Indian irrigation systems	2,267,167	1,895,744
Power systems, Indian irrigation projects	1,678,738	1,646,582
Fees for sale of timber	655,992	471,197
Repayment of irrigation construction cost	299,477	1,043,890
Proceeds from other accounts	<u>667,187</u>	<u>601,734</u>
Total receipts	<u>116,999,195</u>	<u>110,544,155</u>
Prior year balances available for obligation:		
Miscellaneous trust funds (tribal funds)	84,584,800	79,715,267
Construction appropriation	16,604,626	20,972,028
Revolving fund for loans	1,426,602	1,534,934
Indian moneys, proceeds of labor, agencies, schools, etc.	1,426,253	1,638,887
Operation and maintenance, Indian irrigation systems	1,422,738	1,221,029
Power systems, Indian irrigation projects	884,061	-
Other accounts	<u>1,407,729</u>	<u>752,295</u>
	<u>107,756,809</u>	<u>105,834,440</u>
Total funds available	<u>\$224,756,004</u>	<u>\$216,378,595</u>

Funds applied	Fiscal year	
	1953	1952
Health, education, and welfare Resources management	\$ 50,193,440	\$ 45,179,870
Construction:	<u>17,246,814</u>	<u>16,680,577</u>
Buildings and utilities	11,840,713	4,766,149
Roads and trails	3,582,130	1,716,005
Irrigation systems	3,864,392	2,804,806
Land acquisition	<u>60,433</u>	<u>67,075</u>
	19,347,668	9,354,035
General administrative expense:		
Departmental	789,941	763,199
Field	<u>3,561,867</u>	<u>2,731,120</u>
	4,351,808	3,494,319
General tribal affairs:		
Administration of tribal affairs	349,066	309,492
Tribal attorney fees	148,150	162,450
Tribal council expense	<u>166,021</u>	<u>143,643</u>
	663,237	615,585
Loans made from revolving fund	1,075,834	2,463,836
Treaty obligations	817,178	664,820
Missouri River basin study	263,817	352,764
Per capita payments to Indians	16,613,928	18,868,129
Activities supported by tribal funds	5,610,510	3,413,191
Activities supported by Indian moneys, proceeds of labor	<u>1,492,443</u>	<u>744,065</u>
Total obligations incurred	117,676,677	101,831,191
General fund receipts deposited in Treasury	1,413,191	1,935,653
Prior year appropriation balances returned to Treasury	498	9,874
Other	22,607	20,880
Unobligated contract authority rescinded (65 Stat. 265)	-	<u>4,240,000</u>
	119,112,973	108,037,598
Unobligated balance at end of year	<u>105,643,031</u>	<u>108,340,997^a</u>
Total funds applied	<u>\$224,756,004</u>	<u>\$216,378,595</u>

^aIncludes \$584,188 of unobligated funds not available for obligation, commencing with July 1, 1952.

Appropriations by the Congress were for the following activities:

	Fiscal year	
	1953	1952
Health, education, and welfare	\$51,801,000	\$43,924,750
Resources management	13,253,760	12,034,360
Construction	17,500,000	10,575,000
General administrative expense	3,525,647	3,525,647
Revolving fund for loans	1,000,000	800,000
Payment to Choctaw and Chickasaw Nations of Indians in Oklahoma	-	24,155
Prior years' power revenues made available until expended	-	1,721,496
Commutation of treaty obligations, Choctaw Nation of Indians in Oklahoma	-	385,000
Payments to Loyal Creeks and Freedmen	-	600,000
	<u>\$87,080,407</u>	<u>\$73,590,408</u>

All fiscal year 1953 funds were appropriated under the Interior Department Appropriation Act, 1953 (66 Stat. 448). The 1952 funds were appropriated by the Interior Department Appropriation Act, 1952 (65 Stat. 252) (\$68,591,008); the Supplemental Appropriation Act, 1952 (65 Stat. 742) (\$875,000); the Second Supplemental Appropriation Act, 1952 (65 Stat. 761) (\$635,000); and the Third Supplemental Appropriation Act, 1952 (66 Stat. 101) (\$3,489,400).

Unobligated balances of \$105,643,031 at June 30, 1953, consisted of \$102,704,852 of no-year funds available for obligation and \$2,938,179 of fiscal year 1953 funds which were not available for obligation after June 30, 1953. The balances available for further obligation consisted of:

Tribal trust funds	\$ 80,259,312
Construction	13,764,444
Revolving fund for loans	3,997,780
Operation and maintenance, Indian irrigation systems	1,689,427
Power systems, Indian irrigation projects	1,052,680
Indian moneys, proceeds of labor	1,577,792
Other funds	363,417
	<u>\$102,704,852</u>

Comments on the Bureau's activities are contained in the following sections of this report.

HEALTH, EDUCATION, AND WELFARE

Bureau activities for health, education, and welfare are conducted in Washington and the field under supervision of the Assistant Commissioner for Community Services. Obligations for these activities in fiscal years 1953 and 1952 are summarized.

	Fiscal year		Increase
	1953	1952	
Hospital, disease preventive, and curative services	\$19,571,951	\$16,489,544	\$3,082,407
Educational assistance, facilities, and services	26,364,914	25,110,163	1,254,751
Welfare and guidance services	3,250,936	2,549,979	700,957
Placement and relocation	563,741	576,480	-12,739
Maintenance of law and order	441,898	453,704	-11,806
Total	<u>\$50,193,440</u>	<u>\$45,179,870</u>	<u>\$5,013,570</u>

Comments on these activities follow.

Hospital, disease preventive, and curative services

The Bureau's health program consists of (1) a medical care and hospital program to care for sick Indians and (2) a disease preventive program to improve health and reduce the incidence of disease among about 300,000 Indians in the continental United States and in the Territory of Alaska. The Bureau's health services for the Indian are carried out primarily in Bureau-owned and -operated hospitals, sanatoria, and health and medical centers. In addition, state, county, and local public departments under contract with the Bureau furnish health and clinical services to the Indian. The Bureau enters also into contracts with private medical practitioners.

Bureau records show that 3,008 employees were engaged in hospital, disease preventive, and curative services at June 30, 1953, compared with 2,999 employees at June 30, 1952. About 20 percent of the employees at June 30, 1953, were located in the Territory of Alaska. Twenty of the employees at June 30, 1953, were located at the central office in Washington.

For fiscal year 1953, the Bureau obligated \$19,571,951 for hospital, disease preventive, and curative services compared with \$16,489,544 in fiscal year 1952. These obligations were financed in part by tribal funds to the extent of \$200,120 in 1953 and \$185,520 in 1952.

Appropriated funds for medical services were first voted in 1832 and the first hospital for the care of Indians was constructed

in 1884. It was not until 1911, however, that the Congress greatly increased the appropriation for health work among the Indians. Federal appropriations have increased from \$40,000 in 1911 to \$21,444,765 in 1953, an increase of more than 500 fold. The greatest increase has occurred in the past 3-year period, as shown in the following schedule:

<u>Fiscal years</u>	<u>Appropriations</u>
1911-1920	\$ 2,415,000
1921-1930	8,637,270
1931-1940	38,619,190
1941-1950	74,164,850
1951-1953	<u>52,737,132</u>
	<u>\$176,573,442</u>

These appropriations exclude funds for the medical relief of natives in Alaska.

Additional appropriations are made for hospital construction. In fiscal year 1953 about 2.8 million dollars was provided for this purpose. Consequently, funds for the Indian health program for all purposes, during fiscal year 1953, totaled \$24,244,765 or about 28 percent of the total appropriation of the Bureau of Indian Affairs.

The Bureau's health program developed chiefly because the Indian could not obtain health services in any other way. The Indian land is held in trust by the Federal Government and, therefore, the Indian residing thereon is not subject to state and local land taxes. Consequently, the states usually do not provide health services to the Indians and the Indian has become a special responsibility of the Federal Government. The Bureau's health program started to some extent in fulfillment of treaty obligations. The basic statutory authority for the conservation of health among Indians, however, is the Snyder Act of 1921 (25 U.S.C. 13).

The stated objective in the health program of the Bureau is to raise the Indian health standards to a point at least equal to the national health standards. This objective is to be accomplished by (1) furnishing direct medical services to the Indians and (2) securing medical services for Indians through state and local governments. The ultimate objective is to effect a gradual withdrawal of the Federal Government from the program.

The high mortality rate among Indians is caused principally by the incidence of tuberculosis, pneumonia, syphilis, and diarrheas of infancy. The tuberculosis death rate among Indians as a racial group is far above the general population rate.

In carrying out the Bureau's responsibility for medical and dental care of Indians, the Bureau at June 30, 1953, had in operation 57 general hospitals and 3 tuberculosis sanatoria or a total of 60 hospital facilities. Five of the facilities were classed as medical centers. Fifty-three of the hospital facilities were located in the continental United States and seven in Alaska. The rated bed capacity of hospital facilities ranged from 5 beds in Bethel, Alaska, to 369 beds in Mount Edgecumbe, Alaska. The total authorized bed capacity at June 30, 1953, of 2,906 beds consisted of 1,643 general medical and surgical and 1,263 tuberculosis. During fiscal year 1952 the Bureau operated 62 hospital facilities with an authorized bed capacity of 2,856 beds. The Bureau closed two hospitals in fiscal year 1953 and one in fiscal year 1952.

In addition to the hospitals and sanatoria operated by the Bureau, 116 contracts were executed with 59 hospitals and clinics (state, county, and community) in 14 states and the Territory of Alaska; hospital care was purchased from 140 other non-Federal hospitals. A total of 264,400 patient days of hospital care was furnished by these installations for fiscal year 1953 at a cost of \$2,579,170. In addition 34 contracts were executed with 23 local and state government agencies to provide public health services (such as nursing, sanitation, and tuberculosis control) at a cost of \$218,293.

It is the policy of the Bureau to contract for the services of local practicing physicians and dentists on a part-time basis where adequate professional services can be obtained at reasonable costs. Seventy-five doctors were employed by the Bureau on a part-time basis at June 30, 1953, compared with 92 doctors and 4 dentists in June 1952. The Bureau had no information as to the number of part-time contract dentists in June 1953. Our audit of the Juneau area for fiscal year 1953 disclosed that some of the doctors had been negligent in submitting required reports on work accomplished for the Bureau. In our report to the Commissioner on that area we recommended that appropriate steps be taken to enforce the reporting requirements.

Recovery of costs

The Secretary of the Interior has defined Indians eligible to receive the Bureau's health services in the Code of Federal Regulations (25 C.F.R. 84.8) as:

"All persons of Indian descent who are members of any recognized Indian tribe now under Federal jurisdiction; all persons who are descendants of such members and who reside within present boundaries of any Indian reservation and all other persons of one-half or more Indian blood ***."

The regulation further provides that:

"Indians receiving medical, hospital, or dental services shall be expected to pay such fees, based upon cost of service, as may hereafter be specified by the Commissioner of Indian Affairs. Free service need not be given to Indians who are economically able to pay such fees and refuse to do so. All fees received shall be covered into the Treasury of the United States as required by the Act of May 9, 1938 (52 Stat. 312)."

Our audit for fiscal year 1953 disclosed, however, that:

1. The Bureau has no standard procedure for verifying an Indian's ability to pay for medical services rendered. Usually the medical officer or a clerk at the hospital decides or participates in the decision as to whether a patient is indigent and is not to be billed for medical services furnished.
2. To June 30, 1953, the Commissioner of Indian Affairs had not specified any fee schedules, for Indians receiving medical, hospital, or dental services, as required under the Code of Federal Regulations (25 C.F.R. 84.8) based upon the act of May 9, 1938 (52 Stat. 312). Consequently, at some hospitals no charges have been made to Indians.
3. Whereas at some hospitals certain costs of medical services have been collected, the amounts collected have been nominal.

Appropriations for Bureau-operated health clinics and health services, nearly all of which are used to benefit eligible Indians, totaled more than 14 million dollars in fiscal year 1953 and more than 11 million dollars in 1952. Reimbursements of medical, dental, and hospital services given to Indians deposited into the Treasury as miscellaneous receipts totaled only \$15,340 in fiscal year 1953 and \$11,135 in 1952.

The Code of Federal Regulations (25 C.F.R. 84.12) provides also that persons not otherwise entitled to hospitalization in Bureau hospitals (nonbeneficiaries) may receive emergency hospital care when no other facilities are available, but shall pay a hospitalization fee based on the average annual per diem cost of operation and shall also pay the applicable fees for other services rendered. Indian employees of the Bureau and members of their families are required also to pay for hospital services (25 C.F.R. 85.5). We noted, however, that at some hospitals the fees charged were not adequate to recover the costs as prescribed by the Secretary's regulations. Moreover, in some cases bills for medical services were not rendered and in many cases where bills were presented, payments had not been received. In these latter cases the Bureau made little or no collection effort.

Recommendation

To reduce the net cost of providing medical, hospital, and dental services, we recommend the following to the Secretary of the Interior and the Bureau.

1. Establishment of a standard procedure for determining whether a hospital patient is indigent or is able to pay for services furnished. The procedure should include checking the patients' resources by reference to welfare records and Individual Indian Money Accounts.
2. Provision should be made for furnishing the area office preparing bills for hospital services with the necessary data on all hospital patients. This data should include suitable information supporting the reasons for determining the indigency of patients not billed for services rendered.
3. Consideration should be given to establishing fees for certain medical services now furnished without charge by hospitals to outpatients.
4. Appropriate measures should be taken to obtain reasonably prompt payment for medical services billed.

Collection of fees

Fees collected from Indians for hospital services are required to be deposited into the Treasury as miscellaneous receipts, whereas, collections from persons not otherwise entitled to services (nonbeneficiaries) are required under the act of April 3, 1952 (25 U.S.C. 449), to be deposited to the credit of the appropriation from which the hospital services were provided. The Bureau, however, has deposited collections from nonbeneficiaries to the credit of various hospital accounts for proceeds of labor. It was not until May 20, 1954, more than 2 years after passage of the act of April 3, 1952, that the Bureau issued instructions to the field to begin depositing collections from nonbeneficiaries in accordance with provisions of this act. Proceeds of labor accounts are available indefinitely for obligation. Appropriations for hospital services are available for obligation only in the year for which appropriated. Pursuant to our inquiry, the Bureau advised us that the amount collected from nonbeneficiaries and deposited to various hospital accounts for proceeds of labor totaled \$110,495 for the period April 3, 1952, to May 20, 1954.

Staffing difficulties

The Bureau of Indian Affairs has had considerable difficulty in recruiting physicians for services in Indian hospitals due primarily to the shortage of physicians created by the war emergencies, and the comparatively low salaries paid through the years

under Civil Service. Moreover, due to lack of accreditation of Bureau hospitals as teaching hospitals by the American Medical Association, the Bureau finds it extremely difficult to recruit qualified medical personnel on a career basis.

Through an arrangement entered into with the United States Public Health Service, Department of Health, Education, and Welfare, in January 1951, medical students who received financial aid from the Federal Government, and who were required to serve under the military program for varying periods of time, have been assigned to the Bureau of Indian Affairs for duty in Indian hospitals. The average term to be served by medical personnel assigned from the military forces is 22 to 24 months. The use of these doctors has been of considerable aid to the Bureau in staffing its hospital facilities.

The Bureau of Indian Affairs employed 141 physicians at June 30, 1953, compared with 133 at June 30, 1952. On these dates, 79 and 60 physicians, respectively, were commissioned officers of the United States Public Health Service on loan to the Bureau on a reimbursable basis. Similarly, of the 38 dentists employed at June 30, 1953, by the Bureau, 14 were United States Public Health Service officers.

The recruiting power of the Public Health Service, which is a career service, is much greater than that of the Bureau of Indian Affairs. Moreover, according to the Assistant Secretary of the Interior and a former chief of the Branch of Health of the Bureau, the Public Health Service is in a position to provide more adequate medical care for Indian beneficiaries. This is true largely because all of the hospitals operated by the Public Health Service are approved by the American Hospital Association. In addition, many of them are affiliated with leading medical schools throughout the United States and have access to specialists in various fields of medicine.

The act of August 5, 1954 (68 Stat. 674), provides for the transfer of the maintenance and operation of hospitals and health facilities for Indians from the Bureau of Indian Affairs, Department of the Interior, to the Department of Health, Education, and Welfare. To permit the two Departments primarily affected sufficient time to prepare for the transfer, the effective date of the act was established at July 1, 1955. The law bars the closure, prior to July 1, 1956, of any hospital now in operation for a specific tribe or tribes of Indians without the consent of the tribe or its organized council.

Educational assistance, facilities, and services

One of the primary activities of the Bureau of Indian Affairs is to provide for the education of Indian children. The basic objective of the education program is to secure for Indian children the educational opportunities provided for other citizens. This is accomplished primarily through the operation of Federal schools and also by contracts with states and the Territory of Alaska for the education of Indian children in the public school system. Expenditures of Federal funds for education are limited by the act of May 25, 1918 (25 U.S.C. 297), to children of one-fourth or more degree of Indian blood. The act provides that:

"No appropriation, except appropriations made pursuant to treaties, shall be used to educate children of less than one-fourth Indian blood whose parents are citizens of the United States and of the State wherein they live and where there are adequate free school facilities provided."

At June 30, 1953, the Bureau had 4,106 employees engaged in education activities compared with 4,230 at June 30, 1952. About 30 percent of the employees were located in the Window Rock area which includes the Navajo and Hopi Indian Reservations. Seventeen of the employees were located at the central office at June 30, 1953.

Obligations incurred for educational assistance, facilities, and services totaled \$26,364,914 for fiscal year 1953 compared with \$25,110,163 for 1952. Of these amounts \$754,931 was financed from accounts for "Indian Moneys, Proceeds of Labor" and tribal funds in 1953 and \$693,098 in 1952.

About 156,000 Indians or 42 percent of the Indian population in continental United States in 1950 were under 18 years of age. At the same date about 38,000 Indians were illiterate, of which about 25,000 were located in the Window Rock area.

During the 1953 fiscal year, 100,883 Indian children between 6 and 18 years of age were enrolled in Bureau-operated schools and in public, mission, and private schools compared with 99,441 Indian children enrolled in fiscal year 1952. This represents 79 percent of the total Indian children of school age in 1953 and 78 percent in 1952. Pertinent statistics on school enrollment and attendance of Indian children for fiscal years 1953, 1952, and 1938, the first year for which comparable data is available, follow:

	Fiscal years		
	1953	1952	1938
Enrolled in Bureau schools:			
Boarding schools	19,471	19,549	10,173
Other schools	<u>16,723</u>	<u>16,865</u>	<u>14,088</u>
Total	<u>36,194</u>	<u>36,414</u>	<u>24,261</u>
Enrolled in non-Bureau schools:			
Public schools	54,417	52,960	33,608
Mission, special, and private schools	<u>10,272</u>	<u>10,067</u>	<u>7,094</u>
Total	<u>64,689</u>	<u>63,027</u>	<u>40,702</u>
Total Indian children enrolled in schools (6-18 years)	100,883	99,441	64,963
Indian children not attending school	19,681	22,174	10,243
Definite data not available	<u>6,649</u>	<u>6,518</u>	<u>8,430</u>
Total Indian children of school age (6-18 years)	<u>127,213</u>	<u>128,133</u>	<u>83,636</u>

The schedule excludes Indian children under 6 or over 18 years of age attending school. About 2,800 children under 6 or over 18 years of age attended school during each of the 3 years listed. The above schedule includes only children with one-fourth degree or more Indian blood.

Bureau schools

The Bureau operated over 300 schools in the continental United States and Alaska during fiscal years 1952 and 1953. Statistics on the number of Bureau schools are summarized.

	Fiscal years	
	1953	1952
Boarding schools, on reservations	34	31
Boarding schools, off reservations	18	18
Navajo community schools	43	41
Day schools	135	140
Alaska schools	<u>94</u>	<u>97</u>
Total	<u>324</u>	<u>327</u>

The 43 Navajo community schools for fiscal year 1953 included 5 trailer schools and 2 hogan schools on reservations.

The average daily attendance for fiscal year 1953 of all the Bureau schools was about 87 percent of the total enrollment, which is comparable to the average for the United States. State compulsory school attendance laws are observed in most areas. Where tribes have duly constituted governing bodies, these bodies must consent to the application of state laws to the members of the tribes residing on the reservation. Many tribes have adopted such resolutions. Others have ordinances governing the enforcement of compulsory school attendance. The Bureau's efforts have been directed to secure regular attendance of Indian children in school through cooperation with parents, tribal organizations, and public school officials. Our audit for fiscal year 1953 disclosed, however, that at some Bureau schools an effective program had not been provided to obtain full attendance at schools. At one area under the Bureau's jurisdiction no attempt was made by responsible Bureau officials to enforce school attendance by Indian children as provided by law (25 U.S.C. 282, 283, 284) and regulation (25 C.F.R. 161.65) prescribed thereunder. On the other hand, deserving and eligible Indian children are refused admission each year to the Phoenix Indian School due to capacity enrollment, while ineligible children are enrolled.

These and other deficiencies on education activities and recommendations thereon were included in our area reports for fiscal year 1953 to the Commissioner of Indian Affairs.

Johnson-O'Malley contracts

Under the Johnson-O'Malley Act of 1934, as amended (25 U.S.C. 452-455), the Secretary of the Interior is authorized to enter into contracts with states, territories, or political subdivisions thereof for the education of Indians and to expend under such contracts moneys appropriated by the Congress for such purpose. Based on this law, the Bureau negotiated contracts in fiscal year 1953 with 15 states, 28 school districts in 4 other states, and the Territory of Alaska. The states and school districts were receiving aid under these contracts for about 32,000 of the 54,417 Indian children enrolled in public schools during fiscal year 1953.

Bureau records show that appropriated funds available for payments under Johnson-O'Malley contracts in fiscal year 1953 totaled \$3,071,145 compared with \$2,590,565 in 1952.

Our audit disclosed that the Bureau of Indian Affairs is not deducting from state contracts for education of Indian children Federal funds expended for construction, enlargement, and improvement of local school facilities. Various acts passed by the Congress contained provisions for the recoupment of Federal aid plus 3 percent interest, generally within a period of 30 years. Recoupment of Federal aid was to be made by reducing or eliminating tuition payments for the education of Indian children. The act of August 19, 1949, section 2 (63 Stat. 621-622), was the last act containing this provision.

Under procedures adopted by the Bureau, the recoupment and interest payments under the Johnson-O'Malley contracts, have the effect of converting the original funds advanced to the states for construction, enlargement, and improvement of local school facilities into a Federal grant. The Bureau adds the amount of the payment required for recoupment, plus interest, to the operating costs to be borne by the Bureau in determining the amount of financial aid needed by the state or school district. The inclusion of the amount of the required payment for recoupment, plus interest, in the statement of financial need results in no recoupment being made. The Bureau's records show that the original amount of the recoupment involved about \$1,400,000. The largest amount is due from districts in the State of Montana. The Bureau's manual provides that these contracts be made on a need basis.

In response to our inquiry as to the Bureau's authority for the procedure outlined above, the acting executive officer of the Bureau stated:

1. The Johnson-O'Malley Act, as amended, authorizes the Secretary of the Interior to perform any and all acts necessary and proper for the purpose of carrying the provisions of the act into effect, and negotiating of contracts is such a necessary and proper act; and that the fixing of suitable payments on a need basis is dependent upon the inclusion of all items of expense in the school budget.
2. The abrogation of recoupment is one of the items included in the Bureau's legislative program.

Our audit disclosed also that all Johnson-O'Malley contracts entered into by the Bureau in the Phoenix area were not made on the basis of need. In one instance the records of the school district receiving Federal aid showed a surplus. In the report on the area to the Commissioner, we recommended that future contracts of this nature be based on financial need and be negotiated in accordance with the Bureau's stated policies in order to reduce the cost of the educational program to the Bureau.

Welfare and guidance services

The objective of the Bureau's welfare and guidance services is to assist Indians to attain a standard of living which will meet the requirements of health and well-being and be conducive to the full development of the respective capacities of the individual Indians. The Bureau's policy is to provide needed social services and assistance on Indian reservations not obtainable from other agencies, to work toward extension of all local, state, and Federal welfare programs to include Indians, and to assist Indians to develop their own social services.

To carry out its responsibilities, the Bureau obligated \$3,250,936 in fiscal year 1953 for welfare work compared with \$2,549,979 in 1952. At June 30, 1953, there were 112 employees engaged in this work compared with 84 at June 30, 1952.

The basic authority for the activity is contained in the Snyder Act of November 2, 1921 (25 U.S.C. 13), which provided that the Bureau would direct, supervise, and expend such moneys as Congress may from time to time appropriate for the benefit, care, and assistance of Indians throughout the United States. The Indian Reorganization Act of 1934 (25 U.S.C. 454) authorized the Secretary of the Interior to arrange with states or territories for the education, medical attention, relief of distress, and social welfare of Indians, and for other purposes. The annual appropriation to the Secretary of the Interior includes funds for welfare services to Indian children and adults in need of assistance. Authority is granted to the Secretary of the Interior under the Johnson-O'Malley Act (25 U.S.C. 452) to enter into contracts with states, political subdivisions thereof, or private agencies for the relief of distress and social welfare of the Indians.

The Social Security Act (42 U.S.C. 301-1351) contemplates four types of direct aid by states, in cooperation with the Government, to their needy citizens. These four types of aid are to dependent children, to the aged, to the blind, and to the permanently and totally disabled. Bureau officials informed us that while most states are cooperating fully in the application of the public assistance programs under the Social Security Act to Indians, certain states resist expenditures of state and local funds for general assistance to aid needy Indians ineligible for aid under the public assistance programs. In some cases this resistance is carried to the point of not accepting applications from Indians for general assistance. In the State of Oklahoma a number of Indians who have been receiving assistance under the Social Security program are being separated from the program because they own an interest in land in excess of the property limitation for public assistance recipients. Certain of these Indians are in need of financial assistance, and, if aid is not available under the Social Security program, it must be provided by the Bureau of Indian Affairs.

Placement and relocation

The Snyder Act provides that the Bureau may expend funds appropriated by the Congress for the benefit, care, and assistance of the Indians. Annual appropriations by the Congress provide funds for a placement and relocation service in the Bureau of Indian Affairs to serve Indians on or adjacent to reservations or in nonreservation areas such as Oklahoma.

The purpose of the placement and relocation program is (1) to develop opportunities for relocation and employment for Indians from reservations in communities away from the reservation, (2) to

encourage employable Indians and their families to take advantage of such opportunities, and assist those who choose to relocate to move away from the reservation and settle in these communities, and (3) to assist them to secure employment of a permanent nature and to adjust to the new living and working conditions encountered.

For fiscal year 1953 obligations for placement and relocation services to Indians totaled \$563,741, a decrease of \$12,739 from 1952. Seventy-three employees were engaged in placement and relocation activities at June 30, 1953, compared with 75 at June 30, 1952.

Placement and relocation employees are located in field offices at Chicago, Denver, Salt Lake City,¹ and Los Angeles as well as at the central, area, and agency offices. The area and agency placement offices deal with the Indians on or near Indian reservations and prepare for and facilitate the movement of Indians away from area office jurisdictions. Field offices at the four cities named above have the function of facilitating settlement of Indians within the geographical area under their jurisdiction. Since fiscal year 1953, the Bureau has emphasized permanent relocation rather than placement.

The Bureau's policy is to avoid duplicating services which can be provided by other Federal, state, and local government agencies. To this end the Bureau has entered into agreements for establishing a plan of cooperative action and defining and promoting the relationship with the Bureau of Indian Affairs and the Bureau of Employment Security, United States Employment Service, affiliated state agencies, and the Railroad Retirement Board.

A special assistance phase of the placement program includes provision for transportation and temporary subsistence to Indians who wish to relocate to obtain employment and are financially unable to do so.

The Bureau estimates that resources available on or near the reservations can support only 60 percent of the estimated 91,000 Indian families living on or adjacent to reservation areas. According to Bureau statistics, about 40 percent of the Indian population is under 18 years of age.

The survey team studying the organization and operations of the Bureau in a report approved by the Secretary of the Interior on January 12, 1954, recommended that a very substantial and rapid

¹The Salt Lake City field office was transferred to Oakland, California, on June 1, 1954.

expansion be made in the voluntary and permanent relocation program. The report also urged that the results of the program be watched closely to determine its effectiveness and the per capita cost to the Government of administering to the needs of Indians on reservations be compared with the cost of permanent relocation.

Maintenance of law and order

At June 30, 1953, the Bureau had 74 employees engaged in its law and order activities compared with 75 at June 30, 1952. Obligations for this program were \$441,898 in fiscal year 1953 and \$453,704 in 1952. Of these amounts, \$92,761 was financed from various tribal funds in 1953 and \$114,870 in 1952.

The objective of the Bureau's law and order activity is to furnish protection to the lives and property of Indians within the Indian country through the development of programs for the prevention of crime, the enforcement of Federal and tribal laws and regulations, and the transfer of responsibility for maintaining law and order on Indian reservations to the states as rapidly as the factors involved will permit.

The Bureau's stated policy is to encourage tribes to assume an increasingly larger share of the responsibility for the maintenance of law and order, and to seek extension of state jurisdiction and state laws to the Indian country. In this connection the act of August 15, 1953 (67 Stat. 588), conferred jurisdiction on five states, excepting certain reservations within three of the states, dealing with criminal offenses and civil causes of action committed or arising on Indian reservations within such states. The act further provides that "The consent of the United States is hereby given to any other State not having jurisdiction with respect to criminal offenses or civil causes of action, or with respect to both, as provided for in this Act, to assume jurisdiction at such time and in such manner as the people of the State shall, by affirmative legislative action, obligate and bind the State to assumption thereof."

The act of August 15, 1953 (67 Stat. 586), rendered inapplicable outside of Indian country the Federal statutes prohibiting the sale or gift of intoxicants to Indians. The act provided also that those statutes should not apply to any act or transaction within Indian country if the act or transaction conformed to both the state laws and ordinances duly adopted by the tribe having jurisdiction over the particular area of Indian country. This latter provision is, in effect, a local option affording each tribe an opportunity to legalize intoxicants in its reservation in conformity with state law.

RESOURCES MANAGEMENT

Bureau activities involving the development, conservation, and utilization of Indian resources are coordinated in Washington and the field under the Assistant Commissioner for Resources Management. Obligations for these activities in fiscal years 1953 and 1952 are summarized.

	Fiscal year		Increase (-decrease) from pre- ceding year
	1953	1952	
Operation and maintenance of Indian irrigation systems	\$ 2,832,402	\$ 2,561,911	\$270,491
Operation and maintenance, power systems, Indian irrigation projects	1,706,569	2,605,785	-899,216
Forest and range management	2,409,558	2,055,687	353,871
Fire suppression	112,028	241,791	-129,763
Soil and moisture conservation	2,357,842	1,503,072	847,770
Weed control	289,614	235,747	53,867
Repair and maintenance of roads and trails	2,221,395	2,376,574	-155,179
Agricultural and industrial assistance	1,868,619	1,749,090	119,529
Repair and maintenance of buildings and utilities	1,896,781	1,870,525	26,256
Management of Indian trust property	1,512,137	1,436,755	75,382
Development of Indian arts and crafts	46,869	43,640	3,229
Total	\$17,246,814	\$16,680,577	\$566,237

Comments on these activities follow.

Irrigation and power

The Bureau's irrigation activities include the construction, operation, and maintenance of irrigation and power systems. The Bureau has more than 300 separate Indian irrigation developments under its jurisdiction. These developments vary from tracts of a few acres, irrigated by pumping or diversions from small streams, to major projects of over 100,000 irrigated acres each containing hydroelectric power features and extensive water and power distribution systems.

At December 31, 1952, the irrigation project lands under constructed works comprised 922,914 acres compared with 856,559 acres at December 31, 1951. The 1952 acreage is about 58 percent of the total estimated ultimate irrigable area of 1,580,315 acres.

The 10 largest Indian projects comprised 668,979 acres or about 73 percent of the total constructed works at December 31, 1952. Four of these projects, namely, Wapato, Flathead, San Carlos, and Colorado River, are multipurpose works containing both power and irrigation features.

Irrigation activities are conducted in 7 of the 11 area offices of the Bureau. Although the major construction on Indian irrigation projects is awarded on a contractual basis, frequently Government forces engage in construction programs to expand or initiate new units of projects. A staff is maintained also at the irrigation projects to operate and maintain the projects.

At June 30, 1953, the Bureau had 1,278 employees engaged in irrigation activities compared with 1,204 employees at June 30, 1952. The salaries of these employees were financed from the following sources:

	June 30	
	1953	1952
Appropriations for:		
Construction of Indian irrigation and power systems	393	386
Operation and maintenance of Indian irrigation systems	293	157
Proceeds from:		
Power sales	146	137
Assessments of irrigation water users	446	524
Total	1,278	1,204

Seven of the employees at June 30, 1953, were located at the central office.

Irrigation activities are financed by congressional appropriations and collections from water users and power customers. Obligations incurred for irrigation activities for fiscal years 1953 and 1952 were as follows:

Activities	1953	1952
Construction of Indian irrigation and power systems	\$3,864,392	\$2,804,806
Operation and maintenance of Indian irrigation systems	2,832,402	2,561,911
Operation and maintenance of Indian power systems	1,706,569	2,605,785
Total	\$8,403,363	\$7,972,502

At June 30, 1950 (latest consolidated data available),¹ the cumulative costs of irrigation systems totaled \$121,379,204. These costs are summarized.

Supervision and maintenance	\$ 188,977
Preliminary surveys and construction	80,887,285
Operation and maintenance	38,363,754
Miscellaneous	226,336
Inventories on hand	<u>1,712,852</u>
Total	<u>\$121,379,204</u>

These costs were financed from the following sources:

Reimbursable appropriations by the Congress	\$ 77,923,971
Allotment of public works appropriations	10,858,417
Revenues and appropriated non-reimbursable funds	27,757,134
Tribal contributions	<u>4,839,682</u>
Total	<u>\$121,379,204</u>

In addition to the costs of irrigation systems to June 30, 1950, the following amounts were appropriated for the period July 1, 1950, to June 30, 1953.

Construction	\$11,434,630
Operation and maintenance:	
Collections from water users	5,618,742
Direct appropriations	2,513,412

The operation and maintenance direct appropriations included \$2,079,102 which is reimbursable to the United States Government.

Construction

The Federal Government initiated a program of irrigation development for the Indians on March 2, 1867 (14 Stat. 514), when the first congressional appropriation for irrigation on a specific reservation was approved on the Colorado River Reservation in Arizona. Commencing with fiscal year 1892, Congress appropriated annually for irrigation works on such reservations as were not provided for by special appropriations. Although the irrigation of Indian lands started in the late 1800's it did not become a large activity of the Bureau of Indian Affairs until after 1900.

¹The Bureau has discontinued the preparation of consolidated data of this nature on irrigation systems.

Some Indian irrigation projects such as Flathead, Blackfeet, and Fort Peck were constructed and administered by the Bureau of Reclamation until transferred to the Bureau of Indian Affairs in 1924. Since that time nearly all water development work on Indian lands has been conducted by the Bureau of Indian Affairs except for the construction of the dams by the Corps of Engineers in the Missouri River basin. The general annual appropriations for irrigation construction have increased from \$30,000 for fiscal year 1892 to \$3,864,392 for fiscal year 1953.

Repayment of irrigation construction costs--Expenditures made out of appropriations for construction of Indian irrigation works are required to be repaid to the Government on the basis of individual benefits received under provisions of the act of August 1, 1914 (25 U.S.C. 385). On all projects where reimbursements of construction costs are being made, the money so collected is to be deposited into the Treasury as a repayment to the fund from which the money was originally expended. On the Wapato Project, however, the Congress has authorized the use of collections made on account of repayment of construction charges for continuing the construction work on that system.

Under the act of February 14, 1920 (25 U.S.C. 386), the rate of assessment for construction costs was to be fixed by the Secretary of the Interior, except on certain projects where rates had already been fixed by law. Assessment rates set by the Secretary from June 1920 until 1927 were fixed at 5 percent of the per acre construction cost when the rate on these projects was reduced to 2.5 percent per annum or a 40-year repayment period.

The collection of construction assessments on all Indian-owned irrigation lands is deferred by law (25 U.S.C. 386a) until the Indian title to said lands is extinguished. Non-Indian-owned lands which are included in Indian irrigation projects remain subject to construction assessments and collections. The act of March 7, 1928 (45 Stat. 210), however, created first liens against all irrigable lands, Indian and non-Indian, under Indian irrigation projects where the construction expenditures are reimbursable and remain unpaid.

Because about 68 percent of the total irrigated works on the Indian irrigation projects were under Indian ownership at December 31, 1952, most of the irrigation reimbursable construction costs will not be recovered until such time as the Indian title to the land is extinguished. The Indian farming his own lands and financially able to pay construction costs is not required to do so by law. Payment of operation and maintenance charges, however, is required when the Indian is able to pay. Moreover, although about 33 percent of the Indian-owned lands under constructed works were leased mainly to non-Indians during calendar year 1952, and the Indian owners have derived income from this source, neither the Indian owner nor the lessee is required to repay construction costs on these lands.

The total reimbursable irrigation construction costs due to the Government at June 30, 1953, were not readily available because the Bureau has not maintained such records. The total construction cost of the Indian irrigation projects at June 30, 1950, was about \$81,000,000. In addition, appropriations available for the construction of Indian irrigation projects for the period July 1, 1950, to June 30, 1953, totaled \$11,434,630. These amounts include costs that are not subject to reimbursement because some of the amounts were canceled by the Congress or were financed from nonreimbursable funds. Most of these costs, however, are reimbursable to the Government.

On the 32 percent of the total constructed irrigation works under non-Indian ownership at December 31, 1952, the collections of reimbursable construction costs have been small. During fiscal years 1952 and 1953 only the Flathead Project, which is utilizing net power revenues to reimburse construction costs, has made sizable repayments to the Treasury. For all of the irrigation projects, total collections of construction costs to June 30, 1953, were \$4,148,580, of which \$3,276,940 or 79 percent was collected from the Flathead and Wapato-Satus Projects. Collections to June 30, 1950, and in fiscal years 1951, 1952, and 1953 were as follows:

	<u>Collections</u>
Total to June 30, 1950	\$2,800,205
Fiscal year 1951	5,008
Fiscal year 1952	1,043,890 ^a
Fiscal year 1953	299,477 ^b
Total	<u>\$4,148,580</u>

^aIncludes \$1,035,677 of collections from Flathead Project.

^bIncludes \$284,977 of collections from Flathead Project.

In a letter addressed to one of the Bureau's area directors, dated June 24, 1952, an assistant commissioner of the Bureau of Indian Affairs stated in part:

**** In recent years there has been a growing disposition of indifference toward the collection of construction costs from non-Indian landowners due in part, no doubt, to investigations being made or authorized by the Act of June 22, 1936 (49 Stat. 1803; 25 U.S.C., 369), under which irrigation charges may be adjusted where specifically and adequately justified, or cancelled. ****

The comparatively small collections from non-Indian land owners for reimbursement of construction costs may be attributed also to the Bureau's poor records for irrigation costs and reimbursements of costs. Because of these poor records, the Bureau is unable to obtain accurate amounts for construction costs without detailed audits.

Authority for construction of new irrigation projects--Under the act of April 4, 1910 (25 U.S.C. 383), no new irrigation project on any Indian reservation is authorized to be undertaken until estimates are made and the maximum limit of cost ascertained from surveys, plans, and reports that have been approved by the Commissioner of Indian Affairs and the Secretary of the Interior. The approved maximum cost cannot be exceeded without the express authorization of Congress. Furthermore, no new project to cost, in the aggregate, in excess of \$35,000 may be undertaken without specific authority of Congress. Since many of the Indian irrigation projects were in existence before 1910, congressional approval for additional construction on these projects is not necessary. Our audit of the Portland area disclosed, however, that it is very difficult to determine what was included in the original project. On one project maps were not in existence to set out accurately and in detail just what was considered in the original project. In a number of cases no records whatsoever were available as to the acreage and constructed works contemplated at the time that the original project was started.

Effective congressional control over the construction of irrigation projects cannot be achieved until such time as the Bureau makes a clear determination as to the original features included in all irrigation projects for which construction funds are subsequently requested.

Operation and maintenance of irrigation projects

The Bureau had supervision over 639,236 acres under irrigation in calendar year 1952 compared with 558,552 acres in calendar year 1951. Pertinent information on land utilization of Indian irrigation projects for calendar years 1952 and 1951 is summarized.

	Calendar year 1952		Calendar year 1951	
	Constructed acres	Percent of total	Constructed acres	Percent of total
Irrigated:				
Indian-owned lands--				
Indian farmed	181,779	19.7	153,134	17.9
Indian-owned lands-- leased to others	203,786	22.1	178,571	20.8
Non-Indian-owned lands	<u>253,671</u>	<u>27.4</u>	<u>226,847</u>	<u>26.5</u>
Total irrigated	<u>639,236</u>	<u>69.2</u>	<u>558,552</u>	<u>65.2</u>
Not irrigated:				
Indian-owned lands	239,566	26.0	234,275	27.4
Non-Indian-owned lands	<u>44,112</u>	<u>4.8</u>	<u>63,732</u>	<u>7.4</u>
Total not irri- gated	<u>283,678</u>	<u>30.8</u>	<u>298,007</u>	<u>34.8</u>
Total of all projects under constructed works	<u>922,914</u>	<u>100.0</u>	<u>856,559</u>	<u>100.0</u>

One of the basic policies of the Bureau of Indian Affairs is to construct Indian irrigation projects on existing reservations as an important step in improving the economic status of the Indian. As a part of this program the Bureau proposed to give the Indian farmer the necessary training in agriculture and livestock management. This program has not been very effective, however, because of the Indian's apparent lack of interest in farming.

An analysis for calendar year 1952 of Indian utilization of Indian-owned lands under constructed works disclosed that the Indians farmed only about 29 percent of their irrigation project lands and leased 33 percent of their land under irrigated works instead of farming it themselves. The remaining 38 percent of the Indian-owned irrigated works under ditch were not utilized for irrigation purposes. The Indians' lack of interest in farming is probably the greatest factor in the low percentage of Indian use of his irrigated lands. In addition, lands under irrigated works were not used for irrigation purposes for the following reasons:

1. Lands in heirship status
2. Heavily alkalized lands
3. Water shortages
4. Unleveled ground
5. Absentee owners
6. Dry farming

Financing of operation and maintenance activities on Indian irrigation projects--Obligations incurred for the operation and maintenance of Indian irrigation projects for fiscal year 1953 totaled \$2,832,402 compared with \$2,561,911 for fiscal year 1952. The operation and maintenance activities are financed by collections made from water users and by appropriations, principally reimbursable. About 70 percent of these activities in fiscal year 1953 were financed from collections from water users and about 30 percent from operation and maintenance appropriations. In fiscal year 1952 about 33 percent of the operation and maintenance activity was financed from operation and maintenance appropriations.

Collections from water users for operation and maintenance activities are available until expended. Appropriations for operation and maintenance obligations, however, are available only in the year for which appropriated, and the required reimbursements collected thereon are to be returned to the United States Government.

Fiscal data on irrigation operation and maintenance activities for the fiscal years 1953 and 1952 are as follows:

	1953	1952
Balance available from prior years	\$1,422,738	\$1,221,029
Appropriations (from collections)	2,267,167	1,895,744
Reimbursements from other accounts	<u>14,927</u>	<u>26,376</u>
Total available for obligation	3,704,832	3,143,149
Balance available in subsequent years	<u>1,689,427</u>	<u>1,422,738</u>
Obligations incurred from collections	2,015,405	1,720,411
Obligations incurred from direct appropriations, principally reimbursable	<u>845,421</u>	<u>841,500</u>
Total obligations incurred	<u>\$2,860,826^a</u>	<u>\$2,561,911</u>

^aIncludes \$2,832,402 of irrigation operation and maintenance obligations and \$28,424 of general administrative costs for fiscal year 1953. See page 111 for our comments on the Bureau's practice of augmenting appropriations for "General Administrative Expenses."

Collection of reimbursable operation and maintenance appropriations--Although the Leavitt Act of 1932 (25 U.S.C. 386a) deferred construction cost reimbursements on Indian-owned irrigation lands until the Indian title to such land is extinguished, in nearly all instances the Indian remains liable for operation and maintenance charges dependent upon his ability to pay. Since the Indian is not required to make payments if he does not have

adequate funds, operation and maintenance appropriations are provided to cover that share of the operating costs. For the 5-year period, July 1, 1948, to June 30, 1953, nearly 2.9 million dollars of about 3.5 million dollars appropriated for this purpose was reimbursable to the United States Government.

At the request of the Director, Division of Budget and Finance, Department of the Interior, the Treasury Department established, in May 1951, a miscellaneous receipt account (symbol No. 143558) entitled, "Recoveries on account of reimbursable maintenance charges, Bureau of Indian Affairs (name of project)." In April 1952 the Executive Officer of the Bureau notified the field (order 506, supplement 14) that this receipt symbol had been established and that appropriate accounts should be maintained "To identify operation and maintenance assessment collections which are required to be deposited in the United States Treasury under this account ***." The order pointed out also that one class of operation and maintenance revenues which is proper for deposit under the cited receipt symbol is:

"All collections of operation and maintenance assessments, the charges for which were paid previously from reimbursable Treasury appropriations. This type of collection has been and is now being deposited into the applicable project trust receipt fund. For many years, certain projects have and are now receiving reimbursable appropriations for operation and maintenance purposes on behalf of Indian owned lands which were estimated in the budget as unable to meet such charges due to various reasons and conditions. During the irrigation season, however, these particular units may have been leased or, in some instances, farmed by the respective allottees. Consequently, these individuals have paid the operation and maintenance assessments, resulting in double collection for the same service and additional funds to the project. Moreover, during the years, many allottees have settled their long outstanding delinquent accounts. The charges of such delinquent accounts, were paid previously from reimbursable Treasury appropriations."

At June 30, 1953, only the Lummi Diking Project in Washington had deposited moneys (totaling \$244) into the Treasury under receipt account "Recoveries on account of reimbursable charges, Bureau of Indian Affairs." The accounting records maintained by the Bureau do not permit a precise determination of the amounts collected which had previously been financed from reimbursable Treasury appropriations.

The General Accounting Office is studying the requirements of law relating to the application of repayments of reimbursable irrigation operation and maintenance assessments.

Recommendation

To assure the proper application of collections and the recovery of amounts due to the Government, we recommend that the Bureau maintain accounting and related records in a manner that will disclose adequately the collections of irrigation operation and maintenance assessments financed by reimbursable appropriations.

Assessments for operation and maintenance costs--It is the stated policy of the Bureau of Indian Affairs to charge water users amounts for delivery of water sufficient to cover all operation and maintenance costs on most projects and to place irrigation projects on a self-sustaining basis.

Individuals or groups, Indian or non-Indian, who operate or lease property on Indian irrigation projects are subject to operation and maintenance charges in accordance with rules and regulations prescribed by the Secretary of the Interior. These charges are generally required to be based on estimates made in advance of the operating year. The cost of operating and maintaining the irrigation projects is apportioned on a per acre basis against the lands under the respective projects.

Our audit disclosed that in some instances the Bureau has not enforced the rules and regulations for assessment and collection of irrigation operation and maintenance charges. For example, in the Sacramento area, water users were not being billed for the use of irrigation water on all projects except for the Fort Yuma Reservation.

Moreover, the published assessment rates applicable to water users on certain Indian irrigation projects in the Phoenix area were not sufficient to recover the operation and maintenance costs on these projects. Although the assessment rates were increased in calendar year 1953, the new rates were not adequate to recover these costs. For example, the assessment rate on the San Xavier Project in Arizona for calendar year 1953 was established at \$1 an acre, whereas the cost of operation and maintenance was \$4.68 an acre. The assessment rate on the Duck Valley Project in Nevada for calendar year 1953 was 80 cents an acre compared with operation and maintenance costs of \$3.81 an acre.

Recommendation

We recommend that the Bureau set assessment rates on Indian irrigation projects that are adequate to cover all operation and maintenance costs in accordance with the Bureau's stated policy to place irrigation projects on a self-sustaining basis.

Request for reimbursable appropriations
based on irrigation project acreage
not used or irrigated

The Uintah and Ouray Irrigation Project submitted a request for a reimbursable congressional appropriation for the fiscal year 1954 in the amount of \$45,570. This request was based on 21,700 acres of idle nonpaying Indian lands at an anticipated assessment rate of \$2.10 an acre. The request was overstated by \$11,174 because the acreage used for the request included 5,321 acres at the project not assessed or assessable because of abandonment of constructed works to nonirrigated lands, assumption by water users of the operation and maintenance of small systems, or for other reasons unknown to the irrigation engineer.

We have recommended in our audit report to the Commissioner of Indian Affairs on the Phoenix Area that, to prevent a recurrence of this situation and to eliminate improperly supported requests for appropriations, the irrigation project records on which reimbursable operation and maintenance appropriation requests are based be brought to a current status. Reimbursable operation and maintenance appropriation requests should be based only on assessable Indian-owned irrigation project lands on which a deferment from payment of assessment charges have been properly granted.

Operation and maintenance of power systems

The Bureau of Indian Affairs operates four multiple-purpose Indian irrigation projects which include power systems. The projects are located as follows:

Wapato Project, Wapato, Washington
San Carlos Project, Coolidge, Arizona
Flathead Project, St. Ignatius, Montana
Colorado River Project, Parker, Arizona

The San Carlos, Flathead, and Colorado River Projects purchase all or most of the power available at the respective projects from the Bureau of Reclamation or a private utility company and resell this electrical energy primarily to individual landowners, municipalities, water users associations, electric cooperatives, and various commercial and industrial concerns including private power utilities. Nearly all of the power available at the Wapato Project is generated by the project's power system and all the electrical energy is used on the project primarily for the operation of project pumps for irrigation purposes.

Power revenues are used to pay the expenses of operating the power facilities, except on the Wapato Project where power expenses are included as part of the annual irrigation operation and maintenance assessments. The established rates are subject to

review by the Secretary of the Interior and are published in the Federal Register. Bills are issued monthly in conformity with the published rates for power.

Pertinent information on financing of power operation and maintenance activities on the San Carlos, Flathead, and Colorado River Power Systems for fiscal years 1952 and 1953 is summarized.

	<u>Fiscal year</u>	
	<u>1953</u>	<u>1952</u>
Balance available from prior year	\$ 884,061	\$ -
Appropriations (from collections)	1,614,971	1,646,582
Transferred from prior years' annual appropriations (note a)	63,767	1,721,496
Reimbursements from other accounts	1,795	21,768
Transferred from "Power Systems, Reserve Fund" (note b)	<u>215,000</u>	<u>100,000</u>
Total available for obligation	2,779,594	3,489,846
Balance available in subsequent year	<u>1,052,680</u>	<u>884,061</u>
Obligations incurred	<u>\$1,726,914^c</u>	<u>\$2,605,785</u>

^aUnder the Department of the Interior Appropriation Act for fiscal year 1952 (65 Stat. 248), proceeds from power were authorized to be utilized until expended. Formerly power proceeds were available for obligation only for the year in which appropriated.

^bEstablished under act of August 7, 1946 (31 U.S.C. 725s-3).

^c\$1,706,569 obligated for power, \$20,345 obligated for general administrative costs. See page 111 for comments on augmenting funds available for "General Administrative Expenses."

San Carlos Project--The development of electrical power at the Coolidge Dam, San Carlos Project, was authorized on June 7, 1924 (43 Stat. 475), and initially financed by the act of March 7, 1928 (45 Stat. 210). At December 31, 1952, the total construction cost of the San Carlos Power Project was \$2,792,651. In calendar year 1952 the San Carlos Power Project delivered electrical energy to an average of 1,627 customers a month compared with 1,462 customers a month in calendar year 1951.

A tabulation of the electric energy generated and purchased at the San Carlos Project and its disposition, as reported to the Federal Power Commission for calendar years 1952 and 1951, follows:

	Calendar years			
	1952		1951	
	<u>Kwh</u>	<u>Percent</u>	<u>Kwh</u>	<u>Percent</u>
	(000 omitted)		(000 omitted)	
Electric energy acquired:				
Generation	15,334	22.3	4,523	5.9
Purchased power	<u>53,569</u>	<u>77.7</u>	<u>72,358</u>	<u>94.1</u>
Total	<u>68,903</u>	<u>100.0</u>	<u>76,881</u>	<u>100.0</u>
Electric energy disposed of:				
Sales to ultimate consumers and other electric utilities	39,989	58.1	46,068	59.9
Used for irrigation pumping	22,571	32.7	21,901	28.5
Used by the utility	316	.5	186	.2
Energy losses	<u>6,027</u>	<u>8.7</u>	<u>8,726</u>	<u>11.4</u>
Total	<u>68,903</u>	<u>100.0</u>	<u>76,881</u>	<u>100.0</u>

Most of the electric energy sold at the San Carlos Power System has been purchased primarily from non-Bureau sources. The amounts of purchased power have increased steadily over the past 24 years as shown in the following tabulation.

Period	Thousands of kilowatt hours			Percent of purchased energy to total
	<u>Energy produced</u>	<u>Energy purchased</u>	<u>Total energy</u>	
1929-30	13,129	131	13,260	1.0
1931-35	26,074	2,198	28,272	7.8
1936-40	108,160	28,869	137,029	21.1
1941-45	167,682	72,365	240,047	30.2
1946-50	112,625	258,275	370,900	69.6
1951-52	19,857	125,927	145,784	86.4

In recent years most of the power has been purchased from the Bureau of Reclamation, an agency in the Department of the Interior.

The history of the legislation authorizing the development of electric power by the Bureau of Indian Affairs at the San Carlos Project indicates that the generation of power was intended to be

incident to the operation of project irrigation facilities. In the past few years, however, about one-third of the total electrical energy delivered has been used directly for irrigation pumping. The major portion of the power available has been sold to commercial and industrial concerns and to electric utilities. The Bureau entered into contracts for sale, when available, of power generated at Coolidge Dam. Since construction the reservoir has been less than half full. Nevertheless, power purchases constantly increased to take care of continually expanding contract commitments.

Project pumping--About 100 wells at the San Carlos Irrigation Project are served by the pumping operation which raises the underground water supply necessary for irrigation purposes. The water users at the San Carlos Project are the beneficiaries of this operation. In the 1952 calendar year, 22,571,000 kilowatt hours or 33 percent of the total energy available was used for irrigation pumping. Similarly, irrigation pumping consumed 21,901,000 kilowatt hours or 29 percent of the total available energy for calendar year 1951. Although about one-third of the total energy delivered by the San Carlos Project has been used for irrigation pumping for many years, the beneficiaries of this service have not been billed. Amounts have been recorded by the project, however, as income for the pumping services, but these amounts were not billed and collected. The San Carlos Project reported to the Federal Power Commission net income from power operations of \$176,610 for calendar year 1952 and \$144,145 for calendar year 1951, but these amounts are overstated by \$190,245 in 1952 and \$191,049 in 1951 for the amounts recorded as income for project pumping that have not been billed. (See schedule 1.) Based on Bureau records the cumulative deficit from power from pumping operations resulted in a net project deficit from all operations of \$258,158 at December 31, 1952.

Under the provisions of existing legislation (45 Stat. 210; 31 U.S.C. 725s-3) part of the net power revenues are to be used to repay the Government for the cost of the San Carlos Irrigation Project. Since revenues are not obtained from nearly one-third of the total power delivered by the project, it is difficult for the power system to operate on a sound financial basis and to obtain revenues needed to make repayments to the Government. It is significant to note that most of the beneficiaries of the pumping service are non-Indians.

Recommendation

To provide increased net power revenues so that they may be available to repay the Government for the cost of the San Carlos Irrigation Project, we recommend that the Secretary of the Interior and the Commissioner of Indian Affairs take immediate action to operate the San Carlos Power System on a sound financial basis.

Power revenues used for construction--Another Bureau practice at the San Carlos Project subject to criticism is the use of power revenues to finance construction costs. Legislation relating to the San Carlos Project shows clearly that the use of power revenue for purposes of new construction is without authority of law.

On February 11, 1953, the Bureau's central office advised the Phoenix Area Director that there "is no authority of law under which power revenues can be used for construction purposes." At December 31, 1952, however, about 30 percent of the recorded construction cost of the San Carlos Power Project, or \$829,983, had been financed from power revenues. In our audit report to the Commissioner of Indian Affairs on the Phoenix area, we recommended that this practice be discontinued immediately and that future construction be financed only by congressional appropriations for that purpose.

Title to distribution and transmission lines--Title to the distribution and transmission lines constructed by the San Carlos Irrigation and Drainage District has not been transferred to the Government in accordance with the articles of agreement dated April 29, 1937, between the United States Government and the San Carlos Irrigation and Drainage District. This matter has been the subject of correspondence between the Bureau and the District since 1947. Although the District has been repaid for the cost of constructing the lines and the cost of \$143,576 was included in the Project's electric plant accounts in January 1951, title to these lines had not been conveyed to the United States at June 30, 1954.

In January 1955 the Bureau's Assistant Commissioner for Administration advised us that title to the lines had not been transferred, but he could not explain why such action had not been taken.

Recommendation

We recommend that the Bureau take immediate action to properly consummate the transaction involving the transfer to the Government of these distribution and transmission lines.

Flathead Project--The original plans for the Flathead Irrigation Project at St. Ignatius, Montana, contemplated a small power development on the Flathead River to furnish power for pumping to supplement the gravity water supply. Settlement on the irrigated lands progressed rather slowly and therefore the available gravity supply of water was sufficient to meet requirements. As a result the power development was not needed until several years later when the irrigable acreage had reached a point where pumping became necessary. The act of May 10, 1926 (44 Stat. 464), provided \$395,000 for continuing construction of a power plant.

Prior to resuming construction on the power development, arrangements were made with the Rocky Mountain Power Company, a subsidiary of the Montana Power Company, to build Kerr Dam and to sell to the Indian power project the power it needed. The Rocky Mountain Power Company had offered to sell power to the project at prices which made the development of a small plant uneconomical. Consequently, on May 23, 1930, the proposal for a private power development was approved, and the site leased to the Rocky Mountain Power Company. In August 1938 Kerr Dam and a hydroelectric generation plant were completed by the Rocky Mountain Power Company under the terms of a Federal Power Commission license. These constructed works connected with the privately owned Rocky Mountain Power Company system outside the limits of the Flathead Indian Reservation. For the privilege of maintaining and operating these facilities, the private power company pays certain sums of money into the United States Treasury for the account of tribal trust funds of Indian tribes on the Flathead Reservation.

The Bureau obtained approval for the construction of project transmission lines late in 1930. In 1931 the project constructed transmission lines to supply towns and farm homes of the Camas Division of the Flathead Reservation. Ownership and control of all power lines on the reservation and a small power plant on Big Creek were acquired by the Bureau on August 25, 1931, for \$160,000 from the Public Utilities Consolidated Corporation.

The project continued to expand and extend its power system and as of December 31, 1952, the gross cost of the utility plant was \$2,466,190.

The Bureau-owned and -operated hydraulic plant on Big Creek generated only a very small percentage of the electricity transmitted and distributed by the Flathead Project. The major portion of electric energy is purchased from the Montana Power Company under a contract which reserves 20,000 kilowatts for use by the Bureau of Indian Affairs. Following is a tabulation of total electric energy generated and purchased for calendar years 1952 and 1951 by the Flathead Power System:

	1952		1951	
	<u>Kwh</u>	<u>Percent</u>	<u>Kwh</u>	<u>Percent</u>
	(000 omitted)		(000 omitted)	
Generated	2,022	1.8	2,007	2.2
Purchased from Montana Power Company	<u>107,512</u>	<u>98.2</u>	<u>90,622</u>	<u>97.8</u>
Total	<u>109,534</u>	<u>100.0</u>	<u>92,629</u>	<u>100.0</u>

In calendar year 1952 the project supplied an average of 4,814 customers with 94,220,000 kilowatt-hours of energy and had revenues from sales of \$942,682. In calendar year 1951 the total

revenue of \$858,721 was derived from the sale of 84,327,000 kilowatt-hours of electric energy to an average of 4,723 customers. (See schedule 1, p. 122.)

Colorado River Project--The purchase of electric energy and the sale and distribution thereof at the Colorado River Irrigation Project was authorized by the act of June 18, 1940 (54 Stat. 422). The Colorado River Power Unit reported the gross cost of its utility plant as \$454,463, at June 30, 1952. This is the smallest of the Bureau's power systems. The project does not generate electrical energy but purchases power from the Bureau of Reclamation for distribution over the Bureau of Indian Affairs' lines.

In the 1952 calendar year, 8,573,000 kilowatt-hours of energy were purchased, of which 2,401,000 kilowatt-hours were delivered to the utility company in the town of Parker, Arizona, for resale to other consumers. Similarly, in calendar year 1951, 8,592,000 kilowatt-hours of energy were delivered to the utility company from a total of 14,833,000 kilowatt-hours of power purchased.

At the end of calendar year 1952 the Colorado River Power Unit was serving 362 customers compared with 331 at December 31, 1951.

Operating revenues and expenditures of the Bureau's power systems for 1952 and 1951 as reported by the Bureau to the Federal Power Commission are shown in schedule 1. (See p. 122.)

Forest and range management

The Bureau's forest and range activities include the management and protection of forest, range, and wildlife resources on Indian lands held in trust by the United States. The Bureau also manages and operates three Indian-owned sawmills. Forest or range management operations are conducted in 9 of the Bureau's 11 area offices. At June 30, 1953, the forest and range management activity had 410 employees and 100 additional employees were used on fire suppression activities; at June 30, 1952, the number of employees engaged in these activities were 406 and 45, respectively. Eight of the employees at June 30, 1953, were located at the central office.

For the 1953 fiscal year, \$2,409,558 was obligated for forest and range management compared with \$2,055,687 for fiscal year 1952. Of these amounts \$221,059 was obligated out of tribal funds in fiscal year 1953 and \$237,307 in fiscal year 1952.

Forest management

The Bureau administers about 16 million acres of forest and woodland containing about 41 billion board feet of timber. According to the latest available information, based on December 31,

1947, statistics, about 6 million acres or 38 percent of this area with an estimated volume of 30 billion board feet of timber are considered to be commercial timber lands. The remaining 10 million acres contain an estimated volume of 11 billion board feet of noncommercial timber lands. Bureau officials informed us that an up-to-date inventory of forest lands would result in a considerable increase in the estimate of usable timber on hand because certain grades of timber and species of trees are now used and are considered to be merchantable.

About 80 percent of the forest area and volume of the timber resources under the Bureau's jurisdiction are on Indian tribal lands. Individual Indian allottees own nearly all of the remaining timber lands.

Sustained yield management--The Secretary of the Interior is required by law (25 U.S.C. 466) to practice sustained yield forest management on forest lands of Indian tribes organized under the Indian Reorganization Act of June 18, 1934. Furthermore, it is the policy of the Secretary of the Interior to manage all Indian forest lands, tribal or otherwise, in accordance with the principles of sustained yield management. Consequently, the Bureau is committed to a policy of sustained yield forest management on all timber lands under its jurisdiction.

This policy, which has been in effect since May 1936, is carried out by preparation of forest working plans or timber management plans for all Indian reservations of major importance from an industrial forestry standpoint. A prerequisite for timber management plans is an accurate and up-to-date inventory of the timber resources consistent with both immediate and future management aims. At June 30, 1953, however, adequate inventories were available on only a few reservation forests. In the Albuquerque area, for example, management plans for forests were generally based on timber cruise data obtained in the 1930's and early 1940's. Furthermore, few formal detailed management plans and modifications have been prepared on Indian forest lands.

Definite and meaningful timber management plans are necessary in order to:

1. Enable the Bureau to properly carry out its legal responsibility of sustained yield management on Indian forests.
2. Provide a basis for eventually transferring to the Indians the management of Indian forests.

In the latter part of fiscal year 1953 the Bureau requested the area offices to prepare formalized management plans for most of the Indian forests based upon the best data available. A major deficiency in these plans, however, will be the lack of accurate and up-to-date inventories of the timber resources.

Timber sales--The basic authority for the sale of timber on most Indian lands is included in the act of June 25, 1910 (25 U.S.C. 406-407). The authority for the sale of timber on the remaining Indian lands is covered generally by legislation applicable to specific tribes of Indians. Timber is sold under contract or under permit. All sales of an estimated value of greater than \$100 are made under contract after advertisement by sealed bid, by public auction, or by a combination thereof. Open market sales to Indians, however, may be made without advertisement for timber not exceeding \$5,000 in amount. All sales of timber of less than \$100 are covered by permit.

For calendar year 1952 timber cut under sales contract and permit totaled 549,938 Mbf (thousand board feet) compared with 601,213 Mbf cut during calendar year 1951. Cash collections totaled \$8,091,307 for calendar year 1952 compared with cash collections of \$7,445,405 for calendar year 1951. Most of the sales were made in the Portland area where 371,789 Mbf were cut in calendar year 1952 and 411,893 Mbf in 1951.

Included in the timber cut under contract is the timber cut by three large Indian sawmills. The sawmills cut 40,179 Mbf valued at \$681,251 in calendar year 1952 compared with 40,362 Mbf valued at \$654,922 in 1951. The amounts cut by the respective sawmills in calendar year 1952 were as follows:

	Timber cut Mbf	Value (note a)
Menominee Indian Mills	18,658	\$415,227
Navajo Tribal Sawmill	15,143	158,242
Red Lake Indian Mills	<u>6,378</u>	<u>107,782</u>
Total	<u>40,179</u>	<u>\$681,251</u>

^aBased on the selling price of the standing timber.

Timber sold under contract--Pertinent information relating to timber contracts for calendar years 1952 and 1951 follows.

	1952	1951
Number of sales	211	234
Quantity sold (thousand board feet)	542,701	586,633
Average sales price for Mbf	\$14.84	\$12.58
Cash collections	\$8,052,343	\$7,387,827

About 85 percent of the timber sold in calendar year 1952 was under contract to non-Indians. About 82,600 Mbf, or 15 percent of the quantity sold in 1952, was contracted for by Indians. Similarly, in calendar year 1951 about 16 percent of the total quantity sold was under contract to Indians and 84 percent to non-Indians.

Most of the timber sold in both calendar years 1952 and 1951 was of the ponderosa pine species. The average rate per Mbf of this species increased from \$17.03 in 1951 to \$20.85 in 1952.

Cutting was completed on 108 timber sale contracts during calendar year 1952 compared with 145 during 1951. At the end of the 1952 calendar year, 151 contracts were active with about 3,495,570 Mbf remaining to be cut.

Timber sold under permit--Timber sold under permit is limited to sales of less than \$100. Most of the sales under permit are made to Indians. About 78 percent of the quantity sold in calendar year 1952 and 85 percent in calendar year 1951 was sold under permit to Indians.

Total timber sales under permit for calendar years 1952 and 1951 follow.

	1952	1951
Number of sales	1,266	1,750
Quantity sold (thousand board feet)	7,237	14,580
Average sales per Mbf	\$5.38	\$3.95
Cash collections	\$38,964	\$57,578

Permit sales are intended only as a convenience in meeting the requirements of Indians and other persons for limited quantities of timber for domestic, agricultural, and grazing purposes.

Indian free use--Indians are granted free use of limited amounts of timber material on allotted and unallotted Indian lands.¹ Free use of timber on allotted lands is limited to the allottee who may cut timber for personal use without permit. The free use of timber on unallotted lands requires a permit.

Information on free-use cutting by Indians for calendar years 1952 and 1951 follows.

¹Allotted lands are those which, pursuant to specific treaty or general statute, were granted to individual Indians. Unallotted lands are those which belong to the Indian tribes. Both allotted and unallotted lands are held in trust by the Government for the Indians.

	<u>1952</u>	<u>1951</u>
Quantity cut (thousand board feet):		
Under permit	8,645	15,457
Without permit	<u>98,057</u>	<u>100,998</u>
Total cut	<u>106,702</u>	<u>116,455</u>
Value of free-use cutting:		
Under permit	\$ 82,683	\$ 92,691
Without permit	<u>176,268</u>	<u>163,504</u>
	<u>\$258,951</u>	<u>\$256,195</u>

Timber cut in trespass--The unlawful cutting, malicious injury to, or destruction of any trees on Indian lands, while the title is held in trust by the Government, constitutes a timber trespass. Timber cut in trespass detected during calendar year 1952 totaled 2,088 Mbf with a value of \$18,753; in 1951 the Bureau reported timber trespasses on which 1,408 Mbf with a value of \$19,389 had been cut. During calendar year 1952, \$4,995 was collected for timber trespasses compared with \$16,522 collected for calendar year 1951.

Recovery of administrative expenses--The revenues from timber sales on Indian lands accrue solely to Indians. Under rules and regulations prescribed by the Secretary of the Interior (25 C.F.R. 61.25), however, a sufficient deduction is to be made from the gross proceeds received from the timber sold under Bureau supervision, from allotted or unallotted lands, to cover administrative expenses of the Bureau as required by the act of February 14, 1920, as amended (25 U.S.C. 413). Ten percent of the gross timber proceeds are usually deducted to cover administrative expenses of regular supervised sales unless special instructions have been given by the Commissioner of Indian Affairs as to the amount of the deduction or the manner in which it is to be made.

The fees charged to Indians for administering the various phases of timber sales are deposited in the Treasury as miscellaneous receipts, except when the expenses of the work are paid from Indian tribal funds, in which event they are credited to such funds. For fiscal year 1953 the fees deposited into the Treasury as miscellaneous receipts totaled \$655,992 compared with \$471,197 for fiscal year 1952.

Although the Secretary's regulation on deductions to cover administrative expenses of timber sales (25 C.F.R. 61.25) specifically lists the items of cost to be considered, the amounts of such costs have not been determined on the Bureau's official records. The Bureau's fiscal records do not classify the administrative expenses between forest and range activities, and the

unofficial records on forest management maintained by the branch of forest and range management do not classify the costs as outlined in the Secretary's order.

Recommendation

We recommend that the Bureau maintain appropriate fiscal records, in conformity with the Code of Federal Regulations (25 C.F.R. 61.25), to determine administrative costs incurred by the Bureau in timber sales. The maintenance of such fiscal records is necessary to determine accurately the extent to which administrative costs are covered by deductions from gross timber sale proceeds. Moreover, under various agreements with Indian tribes the amount of timber proceeds to be deposited into the Treasury as miscellaneous receipts for repayment of administrative costs is dependent upon accurate determination of the administrative costs incurred in the sale of timber.

Navajo Tribal Sawmill administrative expenses--Our audit of forest management activities disclosed that the Window Rock area office was not charging Indians the specified 10 percent of timber sales receipts for administrative expenses in the sale of timber to the Navajo Tribal Sawmill. About \$39,600 is due to the Bureau from the Tribe based upon timber sales totaling about \$396,000 for the period from 1948 through 1952.

Regulations issued by the Secretary of the Interior (25 C.F.R. 61.25) under authority of the act of February 14, 1920, as amended (25 U.S.C. 413), provide as follows:

"In all sales of timber from either allotted or unallotted land a sufficient deduction will be made from the gross proceeds to cover the cost of examining, supervising, advertising, collecting, disbursing, accounting, marketing, scaling, caring for the slash, and protecting from fire the timber and young growth left standing on the land being logged or upon adjacent land. Unless special instructions have been given by the Commissioner of Indian Affairs as to the amount of the deduction or the manner in which it is to be made, 10 percent of the gross amount received for the timber sold under regular supervision from allotted or from unallotted land will be deducted by the Superintendent to cover administrative expenses ***."

In reply to a request for information as to whether any instructions had been issued by the Commissioner of Indian Affairs pertaining to deductions for expenses incident to sales to the Navajo Tribal Sawmill, and, if not, the reasons for the failure to effect collection of the 10 percent to cover administrative expenses, the Executive Officer, Bureau of Indian Affairs, in memorandum of January 18, 1954, stated that no directive had been issued. However, he stated that until recently there has been only an insignificant charge for stumpage used by the tribal sawmill enterprise; that such charges have been in the nature of a book entry in connection with the cost accounting records of the mill; that, in fact, the Tribe specifically waived the payment of stumpage by the sawmill enterprise over a period of years; and that tribal funds in rather substantial amounts have been used in recent years in forest protection and inventory activities. In the circumstances, it was stated that, pursuant to the authority contained in the above regulations, the Bureau instructed the Area Director that there should be no deduction from the value of stumpage used by the Navajo Tribal Sawmill enterprise to cover administrative expenses as required by the above statutory provisions during the fiscal year ending June 30, 1954. Also, it is understood that such instructions have been made retroactive to cover prior years and that the question is being given further

study to determine what procedure is to be followed for the period subsequent to June 30, 1954.¹

The administrative expenses intended to be recovered by the regulation are specifically set forth therein and apparently are those expenses incident to sale of the timber on the land being logged or adjacent land. Such expenses were borne by the United States and whether or not the Tribe waived the payment of stumpage by the sawmill enterprise or contributed various amounts toward forest protection and inventory activities would not appear to affect, either legally or equitably, the right of the United States to collect from the gross proceeds of the timber sale the 10 percent to cover the administrative expenses defrayed by it in connection with the sale.

Moreover, the attempt by the Bureau to waive the required deductions insofar as it purports to waive rights vested in the United States under the regulation appears plainly to be in excess of the authority granted to the Commissioner by the regulation. Furthermore, since a retroactive regulation of the Secretary purporting to waive rights vested under a valid regulation of his predecessor could not be given effect, the Bureau acting under delegated authority from him could not do so.

The Acting Comptroller General, in a letter dated November 3, 1954, advised the Secretary of the Interior that action should be taken to collect from the Tribe the fees due for the period from 1948 to the date that instructions were issued to the Area Director and to deposit the same in accordance with the act of February 14, 1920, as amended.

Recommendation

We recommend that the Bureau enforce the regulation requiring the charging of fees to cover administrative expenses for the value of timber used by the Navajo Tribal Sawmill. Such action will reduce the amount of administrative expenses to be borne by the Federal Government.

¹On August 10, 1954, the Bureau issued instructions that deductions of 10 percent of stumpage values are to be made commencing with July 1, 1954. Pending further instructions, these deductions are to be held in a special deposit account.

Range management

The Bureau administered 44,653,255 acres of range lands during calendar year 1952 compared with 44,885,606 acres during calendar year 1951. The range lands consist of allotted and unallotted Indian lands held in trust for the Indians by the United States Government and Government-owned lands administered for the use and benefit of the Indians. During calendar years 1952 and 1951 about 75 percent of the range lands were used by Indians, about 20 percent by non-Indians, and about 5 percent of the lands were not used due to lack of water, rough terrain, and for other reasons.

The annual statistical reports on Indian range lands prepared by the branch of forest and range management for calendar years 1952 and 1951 show the following summary information:

	Acres	
	1952	1951
Permitted and leased lands--Indian	4,452,509	4,167,620
Permitted and leased lands--non-Indian	8,815,021	8,686,203
Total permitted and leased lands	13,267,530	12,853,823
Free use on allotted lands--Indian	1,898,374	1,907,913
Free use on tribal lands--Indian	27,353,332	27,652,051
Total free-use lands	29,251,706	29,559,964
Range lands not used	2,134,019	2,471,819
Total area of range lands	44,653,255	44,885,606

The Indian range is managed with a view toward aiding the Indians in the preservation of their forage land and water resources through proper grazing practices which will yield the highest return consistent with undiminished future use. The Secretary of the Interior has prescribed grazing rules and regulations (25 C.F.R. 71) to protect the range from deterioration, to prevent soil erosion, to assure full utilization of the range, and like purposes as required by the act of June 18, 1934 (25 U.S.C. 466).

The administration of the grazing lands requires a determination of the grazing capacities of the land and the extent to which grazing privileges will be allotted on these lands. The Area Director prescribes the maximum number of livestock to be grazed on Indian range lands and permits are issued on this basis in accordance with the Code of Federal Regulations (25 C.F.R. 71). The number of livestock grazed under the Bureau's jurisdiction in calendar years 1952 and 1951 are summarized.

	1952	1951
Cattle	624,848	650,029
Horses	92,885	94,039
Sheep and goats	969,679	884,782

The grazing capacity of range land is expressed in cow months and represents the maximum number of mature livestock that may be grazed during the intended season of use. The forage requirements of sheep and goats for a month may vary but are generally one-fifth of that required for cows and horses. Bureau grazing land use and capacity expressed in cow months for calendar years 1952 and 1951 are summarized.

	Cow months	
	1952	1951
Permitted and leased lands--Indians	1,273,284	1,202,160
Permitted and leased lands--non-Indians	2,812,164	2,824,404
Total permitted and leased lands	4,085,448	4,026,564
Free use on allotted lands--Indian	692,466	703,488
Free use on tribal lands--Indian	3,474,006	3,436,934
Total free use	4,166,472	4,140,422
Capacity of range lands not used	101,643	157,729
Total capacity of range lands	8,353,563	8,324,715

It is the policy of the Bureau to advertise for competitive bidding on all range units that have not been allocated to Indians or reserved for free-use privileges by Indians. Grazing privileges are usually sold to the highest bidder. The rates for grazing privileges on permitted and leased lands compare favorably with fees charged by other Government agencies that have grazing activities. The rate per cow month on permitted and leased lands averaged 59 cents in calendar year 1952 and 56 cents in calendar year 1951. Cash receipts from the sale of grazing privileges for calendar years 1952 and 1951 were as follows:

	1952	1951
Grazing permits and leases--Indian	\$ 638,460	\$ 541,655
Grazing permits and leases--non-Indian	1,806,209	1,696,844
	<u>\$2,444,669</u>	<u>\$2,238,499</u>

During the 1952 calendar year 12,619 permits were issued, and 11,930 were issued in 1951. Free grazing privileges are granted primarily to Indians on reservations where sufficient tribal land

is available pursuant to regulations prescribed by the Secretary of the Interior. Free grazing privileges are usually limited to 50 horses, or 100 cattle, or 500 sheep, or a combined equivalent thereof.

In one area a Bureau official informed us that the last intensive range survey to determine carrying capacity of the grazing lands in the area was made in 1924. This official admitted that the data obtained at that time is not adequate for current requirements. In our audit report to the Commissioner of Indian Affairs for that area, we recommended that up-to-date intensive range surveys be made to determine the carrying capacity of Bureau grazing lands in order to protect the interests of the Indians and the Federal Government and to prevent deterioration of the range land from overgrazing.

Grazing trespass--Trespassing on grazing lands is one of the major problems of grazing administration of Indian lands and in many instances is willful. Quite often, trespass is due to established customs, misunderstanding as to the right of resident non-Indians, and as a result of lack of proper supervision of the range. It is the Bureau's policy not to take court action to control trespass until every reasonable effort has been made to bring about an equitable settlement without such action. Trespass fees collected during calendar year 1952 totaled \$16,300 compared with \$17,598 in 1951.

Collection of grazing permit issuance fees--The proceeds from the sale of grazing privileges accrue to the respective Indian land owners. The Bureau does charge fees, however, to cover the approximate cost to the Government of executing grazing permits and leases. Fees are based upon rentals involved and are payable by the Indians on whose lands the permit is issued (permitters) as well as by permittees and lessees.

The permittees are subject to fees ranging from 25 cents to \$10. The fees payable by permittees and lessees range from \$1 to \$5 based upon rentals up to \$500. For each additional rental of \$500 or fraction thereof, \$1 is payable by the permittee or lessee. Fees collected are required to be covered into the Treasury as miscellaneous receipts, except when expenses of the clerical and ministerial work in the issuance of permits and leases are paid from tribal funds, in which case the fees are credited to such funds. The rates in effect at June 30, 1953, have remained unchanged since December 1935. The records maintained by the branch of forest and range management show that in many instances the fees collected are not sufficient to cover the cost of executing grazing permits.

Protection of forest and range lands

Authority for suppression of forest and range fires, forest pest control on Indian reservations, and other lands owned by the Government is provided for by the act of September 20, 1922 (16 U.S.C. 594). The acreage subject to Bureau protection from fire in calendar years 1952 and 1951 was:

	Acres	
	1952	1951
Indian and Government lands	49,081,478	49,173,138
State and private lands	9,199,755	9,120,175
Total	58,281,233	58,293,313

The state and private lands are located adjacent to Indian reservations or intermingled with Indian lands and therefore affect the safety of the lands under the Bureau's jurisdiction. Most of the non-Indian lands requiring protection are located in South Dakota where about 50 percent of the acres under Bureau protection are state-owned or private property.

The areas burned during calendar years 1952 and 1951 consisted of:

	Acres	
	1952	1951
Forest land	9,453	18,654
Brush land	4,236	9,821
Grass land	59,809	23,539
Other land	1,010	62
Total	74,508	52,076

The total fire suppression cost for calendar year 1952 was \$322,882 compared with \$127,590 in 1951.

In addition to protecting the forest and range lands from fire, the Bureau is responsible for the protection of these lands from forest diseases and insects. The Bureau of Indian Affairs depends upon the Department of Agriculture for technical services and advice necessary to determine the nature and kind of infestations which may threaten or occur on Indian lands.

Forest disease and insect control is financed by funds appropriated to the Bureau and appropriated funds transferred from the Department of Agriculture for blister rust control.

Wildlife resources

It is the Bureau's policy to protect and defend Indian hunting and fishing rights whenever they become endangered and to encourage Indians to protect and conserve their fish and wildlife resources. The Bureau, however, does not have the authority to regulate hunting and fishing within Indian reservations. The regulation of hunting and fishing within Indian reservations is generally under the jurisdiction and control of Indian tribes. In some instances non-Indians are issued permits to hunt and fish on Indian lands and money received from the sale of these permits is deposited to the credit of the tribes. Permits issued in calendar year 1952 totaled \$65,012 compared with \$51,079 in 1951.

Wildlife resources on Indian lands for calendar year 1952 were estimated by the Bureau as follows:

	<u>1952</u>
Commercial fish	\$ 939,345
Domestic fish	422,356
Fur-bearing animals	160,925
Game birds	235,960
Big game	1,145,958

Over 40 million fish were planted by the Bureau in waters on Indian lands during calendar year 1952.

Soil and moisture conservation

The Bureau engages in soil and moisture conservation on Indian trust lands under its jurisdiction in order to restore and protect the vegetative cover, sustain and improve agricultural production, retard erosion, reduce silt flow and floods, and develop and maintain all cultural, recreational, fish, wildlife, and other land-use practices in accordance with the potential capability of each parcel of land. The Bureau had 350 employees engaged in soil and moisture conservation activities at June 30, 1953, compared with 240 employees at June 30, 1952. The increase of 110 employees in 1953 was due primarily to program expansion. Soil and moisture conservation activities were carried out in every area office under the Bureau's jurisdiction, except Alaska. Four employees were located at the central office at June 30, 1953.

The Bureau's objectives in soil conservation are directed toward the protection against soil erosion of about 56,000,000 acres of Indian trust land through the preparation, implementation, and maintenance of a plan of conservation operations on every land-use unit. The Bureau defines a land-use unit as a farm, range, or division of land that would require a separate plan of conservation operations. Obligations for the various categories of soil and moisture conservation subactivities charged to the resources management appropriations for fiscal years 1952 and 1953 are summarized.

<u>Subactivities</u>	<u>1953</u>	<u>1952</u>	<u>Increase</u>
Land-use adjustments and arrangements	\$ 626,714	\$ 398,015	\$228,699
Soil stabilization and improvement	580,105	360,586	219,519
Water control	387,675	232,327	155,348
Water supply and utilization	588,364	384,741	203,623
Performance inventory	172,690	125,579	47,111
Management of Indian trust property	20,160 ^a	-	20,160
Total	<u>\$2,375,708^b</u>	<u>\$1,501,248^c</u>	<u>\$874,460</u>

^aWe were informed by Bureau officials that \$20,160 was used to supplement the financing of the management of Indian trust property in order to aid in reducing the backlog on land transactions. (See pp. 100 to 102.)

^bIncludes \$26,648 obligated for general administrative costs. See page 111 for comments on the Bureau's practice of augmenting funds available for "General Administrative Expense." Excludes \$1,782 obligated from tribal funds.

^cExcludes \$1,824 obligated from tribal funds.

Specific types of BIA soil and moisture conservation projects include:

1. Preparation of new or first formal plans of conservation operations for a land-use unit.
2. Detailed soil surveys for intensive planning of soil conservation operations on individual farms.
3. Reconnaissance surveys (all other surveys) of land for the purpose of planning soil conservation programs.
4. Seeding and sodding by planting of erosion-resistant soil-building legumes, grasses, or other forage plants.
5. Construction of detention dams for slowing up runoff during peak flows.
6. Construction of diversion dams or gully plugs for raising water out of a defined course for diversion over a spreading area, into a reservoir, or into another channel for water utilization purposes.
7. Leveling of land.

8. Construction of ponds, dugouts, lakes, and retention dams for supplying water for livestock, irrigation, fish, wildlife, and recreation.
9. Inspection and review of land-use units (performance inventory) which have been operated under a soil conservation plan to determine whether the plan has been followed and if performance is satisfactory.

A statistical summary of the Bureau's principal activities for fiscal years 1953 and 1952 follows.

	<u>Unit</u>	<u>1953</u>	<u>1952</u>
Preparation of first or new formal plans	Acre	1,448,929	1,240,474
Detailed soil surveys	Acre	732,974	347,643
Reconnaissance surveys	Acre	9,655,603	8,463,910
Seeding and sodding	Acre	63,455	54,251
Construction of detension dams	Cu. yd.	923,618	474,445
Construction of diversion dams	Cu. yd.	1,167,717	1,748,463
Leveling	Acre	18,192	5,952
Construction of ponds	Cu. yd.	2,770,294	2,854,845
Performance inventory	Acre	9,486,793	9,761,267

The Bureau works in cooperation with Indian owners and non-Indian operators in carrying out its soil and moisture conservation program and emphasizes the cooperative aspect of this work. The Bureau reported that for fiscal year 1953 the land owners and users contributed about five dollars for every one dollar expended by the Bureau.

The basic authority for carrying on soil and moisture conservation on Indian lands is contained in the Soil Conservation Act of April 27, 1935 (16 U.S.C. 590e). This act gave broad powers to the Secretary of Agriculture for carrying out Congress' declared policy of providing permanently for the control and prevention of soil erosion. In the 1930's the Department of Agriculture performed substantial work on Indian lands. Under Section 6 of Reorganization Plan No. IV of 1940 (7 U.S.C. note to 1282; 16 U.S.C. note to 590a), the functions of the Soil Conservation Service in the Department of Agriculture for soil and moisture conservation operations on any lands under the jurisdiction of the Department of the Interior were transferred to the Department of the Interior.

Activities on intermingled land areas

Our review of soil and moisture activities at the Muskogee area in Oklahoma for fiscal year 1953 disclosed that Indian land under the jurisdiction of the Five Civilized Tribes Agency is scattered throughout 40 counties in eastern Oklahoma and intermingled with farms owned by non-Indian citizens of the state; and

that a duplication of effort exists because soil conservationists of the Bureau of Indian Affairs and the Department of Agriculture traverse the same geographical area. Under these circumstances, it is our opinion that soil conservation activities could be more easily coordinated and more economically carried out by one Federal agency.

Recommendation

We recommend that the Secretary of the Interior negotiate voluntary agreements with the Secretary of Agriculture to provide for only one of these two agencies to carry out soil conservation activities in geographical areas where Indian and non-Indian lands are intermingled.

Weed control

The Bureau's program for controlling, suppressing, and eradicating the poisonous halogeton weed on Indian trust lands was started in fiscal year 1952 when funds were appropriated for this purpose. The Bureau's authority for the halogeton control program is the Halogeton Glomeratus Control Act of July 14, 1952 (7 U.S.C. 1652). The halogeton weed, poisonous to livestock, was found to exist on most of the Indian reservation lands in Nevada, on the Uintah and Ouray Reservations in Utah, and on the Fort Hall Reservation in southern Idaho.

The Bureau had 48 employees engaged in weed control at June 30, 1953, compared with 23 at June 30, 1952. These employees were under jurisdiction of the Phoenix and Portland area offices.

Obligations incurred for weed control totaled \$289,614 in fiscal year 1953 and \$235,747 in 1952.

Roads and trails

The Bureau is responsible for the construction and the operation and maintenance of roads and trails on Indian reservations and approaches to reservations. At June 30, 1953, about 19,000 miles of roads and trails were maintained, of which more than 9,500 miles were classified as substandard. The roads and trails are located in 24 states and range from 5,394 miles in the State of Arizona to 23 miles in Michigan.

Road activities are carried out in every area office under the Bureau's jurisdiction in the continental United States. The Bureau had 1,082 employees engaged in the construction and operation and maintenance of roads and trails at June 30, 1953, compared with 754 employees at June 30, 1952. The increase of 328 employees was due primarily to an expanded construction program. At June 30, 1953, four of the employees were located at the central office.

Operation and maintenance appropriations are available for obligation only in the year for which appropriated. Construction appropriations are available until expended. Obligations of \$2,221,395 for the operation and maintenance and \$3,582,130 for the construction of roads and trails were incurred in fiscal year 1953 compared with \$2,376,574 and \$1,716,005, respectively, in 1952. Obligations incurred for the construction of roads and trails were financed by working fund advances from the Bureau of Public Roads, Department of Commerce, to the extent of \$325,832 in 1953 and \$194,005 in 1952.

The act of May 26, 1928 (25 U.S.C. 318a), is considered to be the basic law for road construction on Indian reservation lands. This act provides:

"Appropriations are authorized out of any money in the Treasury not otherwise appropriated for material, equipment, supervision and engineering, and the employment of Indian labor in survey, improvement, construction, and maintenance of Indian reservation roads not eligible to Government aid under the Federal Highway Act and for which no other appropriation is available ***."

Supervision of construction by Bureau of Public Roads

The Federal-aid Highway Act of 1944 (23 U.S.C. 60-63) and the succeeding acts provide for the general supervision of the construction program by the Commissioner of Public Roads. In accordance with a memorandum of agreement between the Bureau of Indian Affairs and the Public Roads Administration (now the Bureau of Public Roads, Department of Commerce), approved May 18, 1948, all construction is under the general supervision of the Bureau of Public Roads. The district engineers of the Bureau of Public Roads are notified of the date construction will be started. Inspections are made by a representative of the Bureau of Public Roads during the construction period. Moreover, concurrence by the Bureau of Public Roads is required for final acceptance of all contract construction. The amount of construction work on Indian roads by contract is small. For the most part, the Bureau of Indian Affairs constructs and maintains its roads by force account.

Transfer of roads

One of the stated objectives of the Indian road program is to eliminate Federal Government responsibilities for Indian roads. This is to be accomplished by bringing existing roads or building new roads up to a standard acceptable to local authorities. The rate of transfer of Indian roads for the period 1934-51 was very slow. During this period the Bureau transferred 1,038 miles of roads to local governments for maintenance. About 166 miles were

transferred in 1952 and about 1,141 miles in 1953. According to Bureau officials the 1953 figure includes about 750 miles of roads abandoned in Oklahoma which were taken over by local authorities in that state.

Reimbursement of maintenance expenditures

Under the act of June 7, 1924 (43 Stat. 606), as amended by the act of May 28, 1941 (55 Stat. 207), the Congress authorized for appropriation the sum of \$20,000 or so much as may be necessary for each fiscal year for maintenance of that part of Federal Aid Highway 666 from Gallup, New Mexico, to Shiprock, New Mexico, and State Highway 68 from Gallup, New Mexico, to Window Rock, Arizona. Maintenance of these highways which serve the Navajo Reservation was to be reimbursed from tribal funds.

The usual \$20,000 estimate was submitted for the fiscal year 1949, but the House Appropriations Committee consolidated such amount with other appropriations for the Navajo and Hopi Indians. The appropriation "Navajo and Hopi Service" made by the act of June 29, 1948 (62 Stat. 1117), included such amount. There is nothing in the legislative history of that act to indicate that the amount of \$20,000 so included in the consolidated account was not to be reimbursable. No amounts were included in the 1950-54 budgets specifically for the maintenance of these roads and it appears that the expenditures for their maintenance during those years were defrayed from funds otherwise available for maintenance of Indian roads, which appropriations are neither reimbursable nor as to which there was applicable any specific limitation on the amount which could be expended for upkeep of these particular roads.

It appears under the 1924 act, as amended, that the expenditures made during the fiscal years 1929 to 1949 for the Gallup-Shiprock Highway are reimbursable except to the extent that such charges were canceled under the act of July 1, 1932 (47 Stat. 564, \$59,410.91--H. Doc. 501, 72d Cong., 2d sess.). That the Interior Department takes no different position in this regard appears to be established by its report on House bill 4694, Eighty-second Congress, which failed of enactment. Such bill would have repealed the 1924 act, as amended, and relieved the tribal funds of the Navajo Indians of the reimbursable requirement of such acts. Accordingly, the amounts expended for the roads during the fiscal years 1929-49, inclusive, should be shown as reimbursable accounts due from the tribe. The fact that the 1924 act does not specifically provide a due date is not considered material, since the act of April 4, 1910 (25 U.S.C. 145), requires annual accounts to be stated between the United States and each tribe of Indians under appropriations made, which by law are required to be reimbursed to the United States.

Our audit of the Window Rock area for fiscal year 1953 disclosed that the reimbursable maintenance expenditures on U.S. Highway 666 and State Highway 68 had not been collected or recorded on the books of the Bureau as receivables from the Navajo Tribe as required by the above stated acts. The reimbursable amounts expended for the maintenance of these roads during the period 1932 to 1949, inclusive, pursuant to these acts, totaled \$330,594.

In response to our inquiry to the Administrative Assistant Secretary of the Department of the Interior on the reason for the failure to record and collect the amount of \$330,594 due from the Navajo Tribe, we were advised that:

1. The reimbursable expenditures will be recorded as amounts due the Government.
2. The Bureau is opposed to enforcing collection from the Navajo Tribe at this time because of its intention to secure cancellation of the charges by special legislation or by use of the Leavitt Act (25 U.S.C. 386a).

The Bureau contends that the "burden of maintaining such main thoroughfares is not primarily a tribal obligation, as the roads are used by the general public." The Leavitt Act authorizes the Secretary of the Interior to adjust or eliminate reimbursable charges of the Government existing as debts against individual Indians or tribes of Indians in a just and equitable manner. The Secretary reports to the Congress annually on adjustments made during the previous year. The adjustments become final unless the Congress acts on them within 60 legislative days after the annual report is filed.

The Navajo Tribe had more than 6.7 million dollars of tribal funds on deposit with the United States at June 30, 1953, and more than 15 million dollars at June 30, 1954. Moreover, under the act of April 4, 1910 (25 U.S.C. 145), any tribal funds held by the United States are required to be applied to reimbursable accounts.

Recommendation

Inasmuch as (1) specific legislation requires the reimbursement of the subject maintenance expenditures from the Navajo Tribe and (2) the Navajo Tribe had more than 15 million dollars of tribal funds on deposit with the United States at June 30, 1954, we recommend that the Secretary of the Interior enforce collection as required by the act of April 4, 1910 (25 U.S.C. 145). Under this act any tribal funds held by the United States are to be applied to reimbursable accounts.

Agricultural and industrial assistance

The Bureau assists and guides Indians in all phases of farm and home living in order to promote their economic development and to help them to obtain a living, through their own efforts, from their resources. The activities covered under this program include assistance and guidance to Indians in farm management, livestock raising, crop production, preparation of land for irrigation, food conservation, and the granting of credit for agricultural and small business enterprises. In addition, surveys of Indian mineral and economic resources are conducted on the Navajo and Hopi Indian Reservations. For fiscal year 1953 the Bureau incurred obligations of \$1,868,619 for these activities compared with \$1,749,090 for fiscal year 1952. At June 30, 1953, the Bureau had 243 employees engaged in agricultural and industrial assistance activities compared with 283 employees at June 30, 1952.

Agricultural and home extension services

During 1953 more than 160 Bureau employees were engaged in assisting and guiding Indians in home and agricultural extension work, principally at agency offices. These services were organized in the Bureau in 1930 and are primarily of an educational nature. Based on this extension program, the Bureau has drafted legislation to transfer this work to the Department of Agriculture and to the states. The proposed transfer has been approved by both the Secretary of the Interior and the Secretary of Agriculture and bills were introduced in both Houses of the Eighty-third Congress to authorize the transfer (H.R. 8982 and S. 3385). The Bureau believes such a transfer of activities would be in the interest of the Indians because it would promote closer relationships between Indians and their white neighbors through joint use of the various State Extension Services. The State Extension Services are sponsored by the Department of Agriculture under provisions of the Smith-Lever Act of 1914 (7 U.S.C. 341-343).

Grants of moneys by the Department of Agriculture to the various states for carrying out extension activities under the Smith-Lever Act are based on the rural population of the states as determined by the next preceding Federal census. Because the Indian population is included in the Federal census, a portion of the grants now made to states should be properly used for the benefit of Indians.

Credit

The Bureau loans money to Indian tribes, bands, associations and enterprises, and to individual Indians for any purpose which will promote the economic development of the group or individual. The stated policy of the Bureau is to supply financing only to those Indians who are not able to obtain credit assistance from private sources or Federal lending agencies, such as the Department of Agriculture. At June 30, 1953, there were 48 Bureau

employees engaged in credit activities, principally at agency offices, compared with 49 employees at June 30, 1952.

During fiscal years 1953 and 1952 the Bureau administered four types of loan funds, two of which are in process of liquidation. The outstanding loan balances of the funds at June 30, 1953 and 1952, as shown by Bureau records, are summarized.

	Loans outstanding at June 30	
	1953	1952
Revolving loan fund	\$10,190,941	\$11,335,261
Tribal funds	9,704,611	8,537,445
Livestock loans	2,126,969 ^a	3,611,498 ^b
"Industry among Indians" and other loan funds	1,024,488	1,189,364
Total	<u>\$23,047,009</u>	<u>\$24,673,568</u>

^aValue estimated at \$65 a head for 33,353 head of livestock less adjustment for loan cancellations in Secretary's order of June 10, 1953.

^bEstimated value of 37,082 head of cattle.

The \$23,047,009 in loans outstanding at June 30, 1953, is exclusive of appropriation expenditures for the benefit of Indians which are required by law to be reimbursed to the Government. In accordance with requirements of 25 U.S.C. 145, the Bureau reported reimbursable balances due the United States at June 30, 1953, in excess of \$73,000,000. These reports covered reimbursable amounts due under 605 accounts involving 44 identifiable Indian tribes.

Revolving loan fund--The act of June 18, 1934 (25 U.S.C. 470), authorized the appropriation of \$10,000,000 to establish a revolving loan fund. Amendments to the act have increased the authorized capital to \$17,000,000 and have extended the Bureau's authority to make loans to Indians. At June 30, 1953, the revolving fund had received \$13,799,600 in appropriated funds, an increase of \$1,000,000 over the same date in 1952. Loans from the revolving fund are made to Indian tribes, corporations, credit associations, cooperative associations, and enterprises. Direct loans to individual Indians from the revolving fund have generally been discontinued except for certain loans for educational purposes. The tribes and associations, however, relend borrowed money to individual Indians.

Receipts and expenditures of the fund for fiscal years 1953 and 1952 are summarized.

	1953	1952
Receipts:		
Appropriation	\$1,000,000	\$ 800,000
Repayments of principal	2,220,075	1,113,594
Interest payments	160,768	115,543
Livestock sales and settle- ments	<u>364,187</u>	<u>320,384</u>
	3,745,030	2,349,521
Less disbursements for loans	<u>1,075,755</u>	<u>2,463,836</u>
Increase (-decrease) in cash available for loans	<u>\$2,669,275</u>	<u>\$ -114,315</u>

Loans made during 1953 were held to a minimum because of the serious delinquency situation on outstanding loans. The collectibility of many of the loans included in the \$10,190,941 balance at June 30, 1953, is doubtful.

The Bureau informed us that a particularly serious situation confronts it on loans made in Alaska, particularly those made to finance four salmon canneries and loans to villages in southeast Alaska to permit them to make loans to members. At June 30, 1953, loans in Alaska totaled \$4,584,262 or about 44 percent of the outstanding balance. Of this amount, \$3,666,616 was outstanding on loans to the four salmon canneries. Because of the unfavorable fishing seasons in Alaska, the Bureau had two special studies of credit operations made in Alaska in 1953 by management consultants. In general, the special studies brought out many weaknesses in the operations of these canneries and suggested a consolidation of the canneries in order to pool financing and tighten up operations. At October 1, 1954, the Bureau had taken no action on recommendations in the studies, but has the matter under advisement.

On April 13, 1953, the Secretary of the Interior approved an amendment of the regulations on interest charged on revolving fund loans to tribal enterprises, cooperatives, and individuals for loans made after that date. These regulations permitted interest rates on loans to tribes (except Navajo-Hopi) for operation of business enterprises to vary from 4 to 5 percent and rates on loans to cooperatives and individuals to vary from 4 to 6 percent. Rates on loans to Navajo-Hopi organizations remained unchanged at 2 percent. The interest rates on loans to individuals for educational purposes (3 percent) and loans to tribes and Indian organizations for relending purposes (2 percent) were not changed by the order.

Certain tribes have sizable balances of tribal funds in the Treasury earning interest at 4 and 5 percent. Some of these tribes, however, have been permitted to borrow funds or to retain borrowed funds at lower rates--generally 1 percent before November

1950 and 2 percent from November 1950 to April 13, 1953, without being required to use available balances in interest-bearing tribal fund accounts. Examples of this situation at June 30, 1953, are presented below.

Tribes	Due revolving loan fund		Tribal funds in Treasury	
	Inter-est rate(s)	Amount	Inter-est rate	Amount
Three Affiliated Tribes, Ft. Berthold Reservation, North Dakota	1	\$190,000	4	\$5,948,806
Navajo Indians	1 and 2	700,000	4	6,740,920

These Indian tribes also had other non-interest-bearing funds on deposit in the Treasury.

A review of the proceedings of the meeting of the Navajo tribal council held in May 1953 at Window Rock, Arizona, shows that some of the Indians themselves wonder why such a situation exists, as is noted below. A member of the tribal council asked the chairman the following question about the tribal fund balances to the credit of the Navajos and the revolving fund loan due to the Government:

"Why do you owe so much money when you have so much money?"

The chairman referred the question to the tribal accountant who replied:

"Remember I told you money works and money will work for you if you put it in the right place. The Government pays us four percent on our money. We borrow it back at two percent. Is that not good business. That is why. I do not know for how long they will do that, but that is what they are doing." (Underscoring supplied.)

In our opinion, this unreasonable situation in which the Government lends money to Indians at a low interest rate while at the same time paying interest at more than double that rate on tribal funds on deposit in the Treasury should be discontinued. The Bureau informed us that since June 30, 1953, additional loans have not been made to the Navajo Indians or the Three Affiliated Tribes of the Fort Berthold Reservation.

Recommendation to the Secretary of the Interior

To deprive the Indians of the incentive for such transactions, we recommend that the Secretary provide that new loans

from the revolving fund shall include charges for interest at not less than the interest paid to the borrowing Indian tribe or association for funds maintained by that tribe on deposit in the United States Treasury. We recommend also that the Secretary require that extensions of existing loans from the revolving fund be made at the current interest rates. To the extent practicable, the interest rates charged should also be sufficient to recover the costs of administering the loans.

Recommendation to the Congress

We recommend that the Congress consider enacting legislation to provide that on all interest-bearing Indian trust funds on deposit in the Treasury, the payment of interest shall be at the average interest rate paid on other Government indebtedness.

At June 30, 1953, Indian bands and tribes had on deposit in the United States Treasury over \$80,000,000, nearly all of which was drawing interest, generally at 4 percent a year. The 4 percent interest rate was established by the act of February 12, 1929 (25 U.S.C. 161a), for all Indian trust funds over \$500 on deposit in the Treasury for which specific interest rates had not otherwise been authorized by law. At the time the 1929 act was passed the average rate of interest paid by the Government was slightly more than 4 percent. At the present time, however, the average rate of interest paid by the Government is about 2.25 percent.

Other loan funds--Tribal funds used in tribal credit operations at June 30, 1953, consisted of \$5,757,417 of tribal funds advanced from the Treasury under authority of various appropriation acts and \$3,947,194 of other tribal funds; these amounts are compared with \$4,533,297 and \$4,004,148, respectively, at June 30, 1952. Some tribes conduct credit operations entirely with tribal funds while many other tribes use tribal funds to supplement revolving fund loans.

The livestock loan program which is now in process of liquidation was established in 1934 as an aid to drought-stricken areas. The Department of Agriculture turned over certain livestock to the Bureau to establish foundation herds for Indians. The Bureau adopted the policy that these livestock were to be repaid in kind. The act of May 24, 1950 (25 U.S.C. 442-443), however, authorized the acceptance of cash settlements, sales of livestock repaid in kind, and the deposit of receipts in the revolving loan fund. At June 30, 1953, the Bureau had 33,353 livestock outstanding on loan compared with 37,082 head outstanding at June 30, 1952. Proceeds of cash settlements and sales deposited in the revolving loan fund at June 30, 1953, totaled \$916,329.

Loans for "Industry Among Indians" were authorized by the Congress beginning in 1911 in varying amounts to encourage industry and self-support among Indians. From 1911 to 1943, inclusive,

at which time the appropriation was discontinued, a total of \$7,732,000 was appropriated for these loans. Beginning in 1920 the Congress appropriated various tribal funds for industrial assistance purposes and authorized direct loans of these funds to individual Indians. Loans from these funds have been discontinued and the present objective is to liquidate the programs.

The number and amount of the various types of loans canceled by the Secretary of the Interior annually under provisions of the Leavitt Act (25 U.S.C. 386a) shows that many of these loans have been uncollectible. The latest cancellation order was approved June 1, 1954, by the Secretary and provided for cancellation of 2,337 loans amounting to \$129,795.

Management of Indian trust property

At June 30, 1952 (latest available data), Bureau records show about 60,410,000 acres of Indian lands under the jurisdiction of the Bureau, as follows:

	<u>United States</u>	<u>Alaska</u>	<u>Total</u>
Tribal lands	39,827,000	2,987,000	42,814,000
Allotted in trust to individual Indians	14,726,000	6,000	14,732,000
Federally owned	<u>1,588,000</u>	<u>1,275,000</u>	<u>2,863,000</u>
Total	<u>56,141,000</u>	<u>4,268,000</u>	<u>60,409,000</u>

The largest concentration of tribal lands are in the southwestern and far western regions of the United States. About 70 percent of the land is grazing land and 20 percent is forest land. The timber lands are located in the Pacific Northwest and in Minnesota and Wisconsin.

Reservation lands may be allotted or unallotted. Allotted lands are those which, pursuant to specific treaty or general statute, were granted to individual tribal members but held in trust by the Government for a period of years. Unallotted lands are those that belong to the tribes.

Practically all Indian trust land has two distinguishing characteristics. First, it may not be conveyed by the beneficial owners without the consent of Congress if tribal land, or without the consent of the Secretary of the Interior or his authorized representative if individually owned. Second, it is generally exempt from state and local taxation.

More than 3,000 laws relate directly or indirectly to Indian lands, affect the status of the lands, and govern the manner in which they may be conveyed and by which the restrictions may be removed. The laws also place upon the Secretary of the Interior a trusteeship responsibility for protection of the titles to the land, the leasing of the land, the sale of minerals, timber, and other products, and the granting of rights-of-way during the time the lands are held in a trust status.

Changes in policies on Indian property

Over the years the Government's Indian policy has changed from segregation to allotment and disposal, to retention of lands, and then to disposal. The early part of the nineteenth century found the Indians segregated on reservations according to treaties between the Government and the tribes. The policy of allotment, designed to assimilate the Indians into white society, contemplated that each individual Indian be given a tract of reservation

land. This policy prevailed from 1887 with the passage of the Dawes Act (25 U.S.C. 331-332) until the passage of the Indian Reorganization Act in 1934 (25 U.S.C. 461-479) which was also known as the Wheeler-Howard Act. The features of this act which was designed to make permanent the Federal guardianship of the special Federal services to Indians, as well as reasserting guardianship for those Indians made landless as a result of the allotment policy, were as follows:

1. Complete cessation of allotments.
2. Continuation of the trust period until otherwise directed by Congress.
3. Restoration of remaining reservation surplus lands to tribal ownership by the Secretary of the Interior, if deemed to be in the public interest.
4. Discontinuance of sale, devise, gift, exchange, or other transfer of restricted lands except:
 - a. To the tribe where the land is located as authorized by the Secretary of the Interior.
 - b. To the heirs.
 - c. To other Indians through voluntary exchange for land of equal value as authorized by the Secretary of the Interior.
5. Authorization to the Secretary of the Interior to acquire land, water rights, or other rights in his discretion through purchase, voluntary relinquishment, and other stated means, within or without existing reservations for the purpose of providing land for landless Indians. A sum not to exceed \$2,000,000 in any one fiscal year was authorized for this purpose.
6. Title to the land or rights so acquired was to be in the name of the United States in trust for the Indian or tribe and exempt from state and local taxation.
7. New reservations could be proclaimed by the Secretary of the Interior.
8. The act is not applicable to any reservation wherein a majority of adult Indians vote against its application at a special election called by the Secretary of the Interior. Seventy-seven tribes representing over 85,000 Indians rejected this act compared with 181 tribes of more than 129,000 Indians who accepted the act.

The measure of the success of the provisions of the Indian Reorganization Act relating to land was dependent on (1) the number of Indians that were willing to transfer their land to tribal ownership and (2) the amount of additional land acquired by the Bureau for tribal use. With regard to (1), only a small number of Indians in a few scattered tribes were induced to transfer their land to tribal ownership. With regard to (2), the National Resources Board in 1934 issued a report based on its study of Indian land problems and policies, and this Board concluded that the Indians, to take care of their minimum needs, required 9,706,000 acres urgently and 15,875,000 acres additional over a period of time. It was estimated that this program would cost \$103,283,000. Congress has appropriated \$5,862,500 for land acquisition since the passage of the Indian Reorganization Act, and available statistics show that at June 30, 1946, the Bureau had purchased 395,417 acres, principally farm land, for \$4,526,261. There was also made available for Indian use about 600,000 acres of submarginal grazing land and 1,250,000 acres of public domain grazing land. In addition, about 1,800,000 acres of reservation lands were restored to Indian ownership and the Indians acquired about 350,000 acres by the use of \$2,000,000 of tribal funds. Acquisitions since 1946 have been principally within reservation areas for the purpose of consolidating heirship holdings. The total lands acquired or available for use since the passage of the Indian Reorganization Act have been about 4,500,000 acres or about 50 percent of the land considered in 1934 to be urgently required.

Except for the act of June 26, 1936 (25 U.S.C. 501-510), which extended certain sections of the Indian Reorganization Act to the Indians of Oklahoma, no major legislation affecting Indian landholdings was passed until May 14, 1948. This act, quoted in full, stated:

"That the Secretary of the Interior, or his duly authorized representative, is hereby authorized in his discretion, and upon application of the Indian owners, to issue patents in fee, to remove restrictions against alienation, and to approve conveyances, with respect to lands or interests in lands held by individual Indians under the provisions of the Act of June 18, 1934 (48 Stat. 984), or the Act of June 26, 1936 (49 Stat. 1967)."

Although the above legislation was enacted in 1948, it was not until 1950 that the Bureau altered its policies and procedures to permit the disposition of trust property in conformity therewith.

Land acquisition

Appropriations for rebuilding the Indian land base, one of the major objectives of the Indian Reorganization Act of 1934, have never equaled the \$2,000,000 annual maximum set forth in the act. In 1936 and 1937, when the annual appropriations for this

purpose were at their peak, only one-half of the amount authorized by the enabling act was appropriated. The Bureau was supporting this policy as late as 1947, but the appropriations since 1946 have been restricted principally to the purchase of land within reservations in certain states only. The Bureau has not requested gratuity funds for land acquisition since 1951. Tribal funds cannot be used in some states to acquire land either inside or outside the boundaries of existing Indian reservations. In fiscal years 1952 and 1953 this prohibition applied in Nevada, Oregon, Washington, and Wyoming. The purpose of this restriction was to prevent the removal of land from the tax rolls as a result of Indian acquisition. Indian tribes, however, were also prohibited from acquiring nontaxable trust lands in heirship status. This served to aggravate the heirship problem, and in fiscal year 1954 this prohibition was relaxed to permit acquisitions that did not result in property being exempted from local taxation.

Land disposition

Policies of the Bureau in relation to Indian lands have varied over the years from the extreme of declaring all Indians of certain tribes of less than one-half degree of Indian blood as competent and eligible for fee title to the land to the other extreme of not permitting the disposition of any land.

At the present time the trusteeship of the Federal Government over tribally owned lands may be terminated only by act of Congress, but the termination of trusteeship over individually owned Indian land is usually extinguished by one of the three following methods:

1. The issuance of patents-in-fee to Indians who, upon application, are determined by the Bureau to be competent to manage their own affairs.
2. Advertised sales, with conveyance by patent-in-fee to the purchaser, or by deeds executed by the owners and approved by the Secretary or his authorized representative.
3. Removal of the restrictions which prevent transfer of the land without the consent of the Secretary of the Interior or his authorized representative. The issuance of certificates of competency may also serve to remove Government trusteeship over certain types of Indian lands.

Mineral leasing

The income received by Indians during fiscal year 1953 from oil and gas leases reached an all-time high as indicated in the following schedule:

<u>Fiscal year</u>	<u>Income (note a)</u>	<u>Number of leases approved</u>	<u>Acreage</u>
1953	\$23,650,000	2,350	485,000
1952	19,181,000	2,087	576,000
1946	6,666,000	1,227	127,890

^aIncludes income from leases approved in prior years.

The income from oil and gas leasing accrues to few of the Indian tribes. About 20 tribes during fiscal year 1953 received all of the oil and gas revenue. The large increase during 1953 resulted mainly from bonuses and rentals paid on leases in Montana, the Dakotas, Utah, and New Mexico.

In fiscal year 1953 the returns from leases covering minerals other than oil and gas totaled about \$900,000 and resulted almost entirely from royalties on asbestos, coal, sand and gravel, phosphate, lead and zinc, and vanadium and uranium mining leases.

Other leases

Restricted nonirrigable Indian lands may be leased for farming or farm pasture purposes for a period not to exceed 5 years. Restricted irrigable lands may be leased for a maximum period of 10 years. All leases for business purposes, however, are limited to a period not to exceed 5 years.

Business leases negotiated for relatively short periods of time usually do not bring the maximum return to the lessor and the property leased is usually surrendered unchanged at the termination of the lease. Lessees are not usually interested in making substantial additions or improvements, that will eventually revert to the lessor, unless they are also able to obtain a long-term lease.

An illustration of the effect of short-term business leases is provided by the town of Palm Springs, California, which is an ultra-fashionable resort city that has an Indian reservation checkerboarded throughout the urban area. The city has two main thoroughfares: Palm Canyon Drive, in a non-Indian section, and Indian Boulevard. Palm Canyon Drive is bordered on both sides by exclusive shops, hotels, and other similar establishments. Indian Boulevard, just one block away, is bounded on one side by Indian-owned land occupied by low-cost houses, trailer camps, small stores, and so forth. Because the appraised value of the Indian land is very high, each Indian, as well as the tribe, is potentially very wealthy. Generally speaking, however, the Indians

have not shown any inclination to utilize their land themselves, but the land is not too valuable for leasing under existing laws limiting business leases to 5 years. At January 6, 1953, these Indians held individual allotments totaling 4,000 acres appraised by the Bureau at \$6,192,282.

Patents-in-fee and certificates of competency to Indians

The act of February 8, 1887, as amended by the act of May 8, 1906 (25 U.S.C. 349), provides that the Secretary of the Interior "may, in his discretion, and he is authorized, whenever he shall be satisfied that any Indian allottee is competent and capable of managing his or her affairs at any time to cause to be issued to such allottee a patent in fee simple ***." Similarly the act of May 29, 1908 (25 U.S.C. 404), provides that the Secretary of the Interior "shall ascertain the legal heirs" of deceased allottees, and "if satisfied of their ability to manage their own affairs shall cause to be issued in their names a patent in fee simple" for their lands.

In a memorandum to the Assistant Secretary of the Interior, dated February 15, 1954, the Solicitor of the Department of the Interior stated, as follows:

"It is true that neither the act of May 8, 1906, nor the act of May 29, 1908, in terms requires that an application for a patent in fee must be made by the allottee or heirs of an allottee, but the courts have nevertheless held that a patent in fee may not properly be issued by the Secretary of the Interior under authority of the cited acts without application or consent of the allottee. *** As the issuance of a patent in fee would abrogate the tax exemption, the courts held that a requirement of an application by the allottee must be implied."

Under the act of June 25, 1910, as amended (25 U.S.C. 372), the Secretary of the Interior is authorized to issue patents-in-fee and certificates of competency to the heirs of an allottee, provided that they have made application for the issuance of such patents, and are found to be competent to manage their own affairs. All land allotted in trust to individual Indians is subject to probate by the Secretary of the Interior upon the death of the original allottee unless fee patented (deeded) prior thereto. Any Indian over 21 years of age may apply for a patent-in-fee for any land held for him under a trust patent. The issuance of a patent-in-fee is discretionary and no patent-in-fee can be issued until the Indian submits satisfactory evidence that he is competent.

Adult Indians have the right to dispose of their trust property by will in accordance with regulations prescribed by the Secretary of the Interior, and subject to his approval. If an

Indian to whom an allotment of land has been made dies intestate, the Secretary of the Interior may, under rules prescribed by him and upon notice and hearing, determine the heirs; his decision is final and conclusive.

Through the process of inheritance the ownership of an allotment becomes subdivided upon the death of the original allottee, and the division of ownership becomes greater with the death of successive heirs. It is not uncommon to find 20 or 30 heirs owning interests in a single tract or to find one person having interests in a dozen tracts scattered over the reservation.

The problem of maintaining accurate land records becomes greater as the number of heirs increase and more time is required for the completion of a transaction. If the death of an allottee or heir has not been reported and the estate has not been probated, it is necessary to delay the transaction pending determination of ownership. In every type of land transaction, whether a lease, sale, exchange, partition, or right-of-way, ownership of the land must be known and land records should indicate the current interest of the respective owners or much research becomes necessary which delays the completion of a transaction.

Bureau records show the following status of individual Indian allotments at June 30, 1952, the most recent data available:

	<u>Number of tracts</u>	<u>Acres</u>
Living original allottee	43,537	5,793,000
Other single owner	16,919	2,009,000
Joint ownership	<u>54,674</u>	<u>6,874,000</u>
Total	<u>115,130</u>	<u>14,676,000^a</u>

^aThe Bureau has been unable to reconcile the difference of 56,000 acres between individual Indian land allotments of 14,676,000 acres as shown above and the total of 14,732,000 acres as shown on page 93.

Some of the factors that tend to complicate the heirship problems of Indians are as follows:

1. Indian heirs do not ordinarily have the cash or credit facilities to settle estates when physical partition of the land is not practicable.
2. The responsibility as well as the major part of the cost of administration of Indian estates is borne by the Federal Government. No economic incentive exists for the Indians to simplify the status of heirship lands.

3. Indian family relations are generally more complicated than those of non-Indians. Indian marriage and divorce procedures may follow tribal custom rather than state law. The act of August 15, 1953 (67 Stat. 588), however, made Indians in certain states liable to the laws which apply to other citizens. (See p. 51.)

Because land owned by an Indian who receives a certificate of competency or a patent-in-fee is subject generally to all taxes imposed on lands owned by other citizens of the United States, the Indians in some cases have been reluctant to apply for certificates of competency and patents-in-fee. Furthermore, the failure of Indians to apply for a certificate of competency and patent-in-fee on allotted lands held in trust for them has caused the Bureau many technical and legal difficulties in carrying out the withdrawal of its supervision over Indian lands.

It is the policy of the Congress, as declared in House concurrent resolution 108, Eighty-third Congress, first session:

"*** to make the Indians within the territorial limits of the United States subject to the same laws and entitled to the same privileges and responsibilities as are applicable to other citizens of the United States, to end their status as wards of the United States, and to grant them all of the rights and prerogatives pertaining to American citizenship; and *** the Indians within the territorial limits of the United States should assume their full responsibilities as American citizens ***."

The land problem, in our opinion, is basic to the objectives of an orderly withdrawal program. Until a solution is found, however, for the obstacles which have influenced the Indians to refrain from taking the initiative in obtaining patents, the Bureau will not be able to effectuate the policy of the Congress enunciated above. The withdrawal problem has been further complicated by the fact that the courts have held that the Secretary of the Interior may not issue patents-in-fee, with respect to trust lands in a tax exempt status, without the consent of the Indian concerned.

Backlog on land transactions

At June 30, 1952, the Bureau reported a backlog, exclusive of work related to heirship determinations, amounting to about 14,180 land transactions of all types. This backlog included 3,443 requests for the sale of land and 1,153 applications for patents-in-fee.

The policy of the Bureau from 1933 to 1950 was to encourage Indians to retain their lands and very few sales or fee patents

were authorized. This restriction resulted in a great number of applications for sales and fee patents since 1950 that have not yet been satisfied. In addition to this change of policy and the additional work caused by fractionated ownership of land through inheritance, other factors causing this backlog were reported by the Bureau to be:

1. Increase in mineral leasing activity.
2. Growing demand for rights-of-way due to expansion of power transmission lines over reservations.
3. Taking of land for dams and reservoirs with resettlement problems in connection therewith.
4. High agricultural prices that interest non-Indians in purchasing Indian lands.

Although the Bureau was not able to keep pace with the demand for land transactions during fiscal year 1953, the number of sales of land and fee patents issued increased as shown in the following schedule:

	<u>Fiscal year</u>	
	<u>1953</u>	<u>1952</u>
Fee patents issued to Indians	623	333
Tracts sold through advertised sales	1,721	496

During fiscal year 1953 the Bureau removed 2,527 tracts of land from trust or restricted status. This is about 2 percent of the 115,130 tracts in such status at June 30, 1952. In addition, about 1,000 transactions of various types assisted in reducing the record and probate work of the Bureau. These transactions included:

- 697 sales between Indians
- 97 conveyances without consideration between close relatives
- 193 conveyances to tribes
- 78 exchanges between individual Indians and tribes and between Indians and non-Indians

The above transactions generally are for the purpose of consolidating individual holdings or acquiring land in economic farm or grazing units and tend to reduce the ownership of a tract to a single individual or group.

As insufficient manpower was reported to be a contributing factor to the above situation, an effort was made to reduce the backlog by detailing employees engaged in other work to assist on land activities. This procedure has not resulted in any appreciable reduction in the backlog because, generally, such employees were assigned to the land backlog for only short periods of time at the sacrifice of other programs and their effectiveness was limited by a lack of experience.

In its survey report on the Bureau of Indian Affairs, dated January 6, 1954, the Secretary's survey team emphasized the firm conviction that "without a more concentrated attack upon this land problem, no real progress can be made toward meeting the over-all objectives of the Bureau."

The survey team recommended that the Bureau of Indian Affairs and the Department of the Interior exert every possible effort toward obtaining increased appropriations to place and keep land activities on a current basis. The team pointed out also that an urgent need exists for a clear statement of policy regarding the management of Indian trust property.

WITHDRAWAL PROGRAM

The Secretary of the Interior established a Division of Program in the Bureau of Indian Affairs on November 8, 1951, to assist in achieving the ultimate objective of bringing about termination of Federal supervision over the Indians of the United States and Alaska. This division was also designated to work in cooperation with other organizational units of the Bureau both in Washington and the field as well as with Indian groups, other Federal agencies, state and local governmental officials, and other interested persons.

Achievements under the withdrawal program to June 30, 1953, were reported by the Bureau as follows:

1. Development of plans for a nationwide survey of the circumstances of each Indian tribe, band, or group under Bureau jurisdiction. An inventory check list consisting of four parts was devised and information on 200 different tribes, bands, and groups of Indians was compiled. This information consisted of the following:
 - a. Compilation of data including the appraisal of particular qualifications of the tribe to independently manage its affairs.
 - b. Pace of progress of Indian group toward independence and from need for Federal supervision.
 - c. Delineation of major problems impeding Indians' progress toward the basic objective of withdrawal of Federal supervision.
 - d. Listing of Indian groups considered presently able to manage their affairs without further supervision of the Federal Government.

This data served as a reference to the progress made by the Bureau toward the withdrawal of Federal supervision over Indians up to the time of the nationwide survey made in August 1952 by the Bureau.

2. Beginning of work on a legislative program to secure necessary authority to assist in alleviating known problems such as heirship fractionation (see pp. 98 to 100) as well as those problems disclosed by the inventory check list.
3. Continuance of work with Indian groups in the development of rehabilitation as well as termination programs.

Funds to support the activities of this division are included in the appropriations for resources management (agricultural and industrial assistance) and community services (welfare-tribal relations).

GENERAL AND FINANCIAL ADMINISTRATION

General and financial administration in the Bureau involves the direction, control, and coordination of programs and activities and the furnishing of services necessary to the operation of the technical divisions. The administrative divisions in the central office and the field handle procurement, property management, budgeting and accounting, certain phases of construction, personnel administration, organization and management planning, communications, and files.

During our audit we noted numerous deficiencies in administration and management controls. Inasmuch as these deficiencies had, primarily, area-wide rather than Bureau-wide significance, we presented many of them along with our recommendations for corrective action to the Commissioner in area audit reports. The area reports were submitted from October 1953 to June 1954 and included specific comments on almost every Bureau activity including health, education, welfare, credit, extension, forest management, range management, irrigation and power, land, procurement, property management, budgeting and accounting, and sundry other matters. We believe that adoption of the recommendations made in the area audit reports will result in greater efficiency and economy in the Bureau.

FINANCIAL STATEMENTS

We have included as schedule 1 (p. 122) statements on the Bureau's power systems operations for 1952 and 1951, as reported by the Bureau to the Federal Power Commission. Our audit was not directed to a verification of these statements. Accordingly, we cannot state that they present fairly the results of power operations for the periods shown.

We have not included a consolidated balance sheet or consolidated statement of financial operations in this report because the Bureau does not prepare such statements. We believe such reports are desirable and would be beneficial to management in reviewing the Bureau's over-all operations and financial condition. In view of the numerous accounting deficiencies disclosed by our audit, however, it is our opinion that a consolidation of available area office financial statements at June 30, 1953, would not present fairly the Bureau's over-all operations and financial condition.

PROCUREMENT

Except for procurement on contracts exceeding \$10,000, the Bureau's central office has delegated procurement authority to the area offices. The area offices permit the agency, subagency, and other field offices varying degrees of autonomy in procurement actions. By order of the Secretary of the Interior in February 1953,

contracts for amounts in excess of \$10,000 must be approved by the Office of the Secretary before they are executed. The central office also reviews individual procurement actions by the areas for amounts from \$500 to \$10,000.

Our review of the Bureau's procurement practices and procedures disclosed that many important regulations by the General Services Administration and manual requirements of the Bureau had not been complied with or were circumvented. In many instances the deviations were recurring. These deficiencies included the following:

1. General Services Administration stock items were purchased in the open market without necessary clearances being obtained.
2. Repetitious issues of open market purchase orders were made to the same vendors for goods and services of a single class. Greater use should be made of open account purchasing to reduce the volume of purchase orders.
3. Purchase orders not of an emergency nature were issued after the goods or services had been received. This practice results in the danger of overobligating funds because no determination as to availability of funds is made before issuing a purchase order.
4. Employees without delegated procurement responsibilities handled entire transactions.
5. Quotations were seldom obtained for orders amounting to less than \$100, and it appeared, in some instances, that purchase orders were split to avoid the Bureau requirement relative to the securing of quotations for orders of \$100 and over. Quotations on orders under \$100 are obtained only when "practicable and economical."
6. Delivery dates on purchase orders were not indicated or were indefinite. Descriptions of items were incomplete and, in some instances, the specifications used were requested from the vendors.
7. Procurement employees were not familiar with certain pertinent procurement regulations.
8. Lack of planned procurement and periodic purchasing was noted for various supplies with a recurring need. As a result, the volume of purchase orders and payment vouchers were greatly increased unnecessarily.

9. Many purchase orders for small amounts could be handled more expeditiously and at a saving in administrative costs by use of imprest cash funds or the combination purchase order, invoice, and voucher(S.F. 44).
10. A standard procedure did not exist for determining the availability of items in storerooms before issuing purchase orders. As a result, excessive purchase orders were issued.
11. Mailing lists were not kept current. As a result the best bid prices may not have been obtained by the Bureau.
12. The safekeeping of sealed bids prior to a public opening of the bids was inadequate. At certain locations sealed bids were kept in an unlocked file drawer. Such a procedure does not insure that the contents of the bids will remain unknown to anyone other than the bidder until the bids are opened in public as is required by law (41 U.S.C. app. 54.12-11).
13. Goods and services were reordered under terms of contracts which had expired.
14. Monthly procurement reports were not prepared in accordance with instructions issued by the General Services Administration and in the Indian Affairs Manual. Reports were sent out containing erroneous procurement figures and erroneous volumes of procurement actions. Area office employees did not correct these errors when reviewing field office reports and preparing consolidated procurement reports.

Recommendation

We recommend that the Bureau take effective action to eliminate these and other violations of sound procurement practices and procedures.

The Juneau area office of the Bureau entered into a contract dated April 7, 1953, with a contractor in Anchorage, Alaska, for the movement and storage of a quantity of supplies and equipment for use in the newly erected Bureau hospital in Anchorage, Alaska. The contract specified a unit price per short ton but the contractor billed and was paid for his services (unloading, hauling, storing, uncrating) on a measurement-ton basis. The costs of the services rendered as computed by the Bureau on a short-ton basis, as required by the contract, amount to \$27,376. The contractor's billings for the same services computed on a measurement-ton basis total \$132,330, or a difference of \$104,954. As a result of our questioning the propriety of payments based on measurement tons,

the Juneau area office withheld payment of the contractor's final invoice in the amount of \$74,268 and billed the contractor \$30,686 for the excess amounts previously paid in error.

PROPERTY MANAGEMENT

Numerous serious deficiencies in property management have existed throughout the Bureau for many years. The Boss-Nugent report to Congress, dated February 1951, and the Booz, Allen and Hamilton management survey report, dated November 1950, disclosed unsound procedures and unsatisfactory conditions in the Bureau's property management.

In an effort to correct the deficiencies the Bureau organized the Branch of Property and Supply in 1950 and prepared directives to the field which were incorporated as part of the Indian Affairs Manual. In May 1951, shortly before the issuance of this section of the Indian Affairs Manual, the Bureau appointed a survey unit to expedite the cleanup and other phases of the property management program. The survey unit, consisting of three Bureau employees, visited numerous Bureau installations and disposed of large quantities of unserviceable and obsolete vehicles, supplies, and equipment. Our audit disclosed, however, that serious weaknesses still exist in the control, care, and use of Federal Government property and supplies. Comments on some of these deficiencies follow:

1. Property and equipment records are inadequate

Property and equipment records have not been maintained or have been poorly maintained. Although a property management program was instituted in 1950, we noted that during fiscal year 1953 all property and equipment owned was not recorded properly on the Bureau's records. A complete physical inventory with subsequent reconciliation to balances in general ledger accounts had not been accomplished in most areas in recent years.

At several locations the balances in the stores ledger and the general ledger accounts were not in agreement, nor could a reconciliation be made as these records were not maintained in accordance with provisions of the Indian Affairs Manual.

In the central office there were no records of accountability or responsibility for minor equipment. The only such records on major equipment were accountability records on office machines. Property was not being inventoried annually and manual procedures on property management of minor equipment and real property had not been developed.

In certain areas we noted that tagging of equipment, preparation of property cards, and disposition of obsolete equipment was not current. In one area property work is about 12 man-years in arrears.

Our review of selected property cards in one area showed the following deficiencies:

- a. Many cards do not show the cost of the assets.
- b. No amounts were included for the cost of freight-in.
- c. No cards showed the activity or branch which has custody of the equipment.

2. Operation of heavy equipment shops

In one area we noted that various operating branches (such as Roads, Irrigation, and Soil and Moisture Conservation) operate their own heavy equipment shops. Where two or more of these shops are operated in the same general location, duplicate levels of supervision and parts storehouses result.

3. Excessive number of motor vehicles

Our review of the utilization of motor vehicles at the several areas showed that some vehicles had little or no use during the year. For example, a branch at one agency had one employee who had been assigned four vehicles. This employee stated that he needed only one vehicle.

In another area the custody of vehicles was vested in the branch financing the purchase of the vehicle. Instances were noted in which individuals to whom vehicles were assigned were requested by the area property management section to release automobiles but would not do so. Although in excess of 1,000 motor vehicles were reported by the area office to be on the reservation, there was no inventory of vehicles nor were inventory or use records maintained. The branch having custody of the vehicle was responsible for its operation and maintenance. The property management section had no responsibility for the operation and maintenance of vehicles and the area had no preventive maintenance program or consolidated garages.

Our audit disclosed various year-end purchases of automotive equipment among which were four pickup trucks charged to the 1953 appropriation for resources management. The circumstances surrounding the purchase of these four trucks showed that the transaction was not properly chargeable to 1953 funds because a bona fide need for the equipment did not exist during that year. We believe that the purchase of the trucks during fiscal year 1953 was for the sole purpose of obligating an expiring current appropriation. Accordingly, we advised the authorized certifying officer

that the contract cost of the trucks was properly chargeable to appropriated funds available for the fiscal year 1954, and that obligation of 1953 funds for this purchase was in contravention of law.

The usage of motor vehicles in various areas show that the motor vehicle needs should be reexamined and the vehicles not needed at one location should be transferred to other locations where they may be needed or made available for disposal as excess to needs.

4. Excess materials, supplies, and equipment

In one area we noted that large quantities of materials existed, which were excess to the needs of the branch that purchased or requisitioned them. This situation arose because property and supply clerks working in the operating branches did not report this excess to the property and supply officer. Such reporting is not now made but it is the only way the property and supply officer can know that these excess supplies exist.

Large quantities of supplies and equipment were left by the Army and Navy when they evacuated a station at Mount Edgecumbe, Alaska, in 1946. The Bureau acquired this equipment and stores, but has used only a little of it. Several warehouses are still filled with new, unused equipment and stores. Responsible Bureau employees informed us that they had established no inventory records for the material because it was not procured with funds appropriated to the Bureau, and, accordingly, this material has never been inventoried. Much of the remaining property and stores will never be used at this station, but no apparent effort has been made to dispose of this excess.

Recommendation

To prevent the repetition of the serious deficiencies in property management disclosed by our audit, we recommend an aggressive program of instruction and supervision by area and central office officials. Specifically, we recommend that:

- a. Provision be made for a complete physical inventory of all property and equipment, during the fiscal year, pursuant to written instructions issued by the property and supply branch; the general ledger accounts should be adjusted to agree with physical inventories so that proper control over the Bureau's property and equipment may be achieved.
- b. When more than one heavy equipment shop is located in one general location, the shops be consolidated into one where possible, or combined with the consolidated garages previously recommended, in order to reduce parts inventories and salary costs.

- c. Motor vehicle pools be established at the larger offices in order to reduce the number of motor vehicles owned by the Bureau. Consolidated garages for maintenance of Bureau vehicles should be established wherever practical to facilitate a properly planned and supervised maintenance program.
- d. Listings of materials, supplies, and equipment which are excess to the needs of one station be prepared and circulated throughout the Bureau so that appropriate disposal by transfer or sale may be made of materials, supplies, and equipment determined to be excess to the Bureau's needs.

AUGMENTING OF APPROPRIATIONS
FOR "GENERAL ADMINISTRATIVE EXPENSES"

During the fiscal years 1952-53 and continuing in fiscal years 1954 and 1955, the Bureau has charged certain costs of general administration to appropriations other than those for "General Administrative Expenses, Bureau of Indian Affairs (fiscal year)," symbol 14_2016. This procedure augments funds for "General Administrative Expenses" as limited by language in the annual appropriation acts for those years.

Bureau obligations incurred for the fiscal years 1952-55 for general administrative costs compared with applicable appropriations made for this purpose are summarized.

	GAE appropriation	Total	GAE obligations	
			From GAE (14_2016) ap- propriations	From other appropri- ations
1952	\$3,525,647	\$3,560,144 ^a	\$3,494,319	\$ 65,825 ^a
1953	3,525,647	4,351,808	3,482,611	869,197
1954	3,000,000	4,389,375	2,986,790	1,402,585
1955	2,750,000	4,778,084 ^b	2,750,000 ^b	2,028,084 ^c

^aThe Bureau informed us that the 1952 obligations of \$3,560,144 for general administrative costs do not include all obligations actually incurred for this purpose because some area offices did not report to the Bureau's central office all such financing.

^bEstimated.

^cAllotted.

The expenses of general administration listed above exclude obligations incurred against Indian tribal funds as follows: fiscal year 1952, \$309,492; 1953, \$349,066; 1954 estimated, \$424,578; and 1955 estimated, \$397,122.

Illustrative of the sources from which the Bureau financed its obligations for general administrative costs are those shown below for the fiscal year 1953.

<u>Appropriations</u>	<u>Amount</u>
"General Administrative Expenses," symbol 1432016	<u>\$3,482,611</u>
Other funds:	
Health, education, and welfare services	366,968
Resources management	121,989
Construction	147,487
Special and trust funds:	
Operation and maintenance, Indian irrigation systems	22,250
Operation and maintenance, power systems, Indian irrigation projects	20,345
Indian moneys; proceeds of labor, agencies, schools, etc.	169,450
Commutation of treaty obligations, Choctaw Nation of Indians in Oklahoma	208
Construction and rehabilitation, Bureau of Reclamation (Missouri River basin study)	<u>20,500</u>
	<u>869,197</u>
Total obligations incurred for general administrative costs	<u>\$4,351,808</u>

Review of the budget justifications for the fiscal year 1953 shows that \$5,217,000 was requested for "General Administrative Expenses" (pp. 164-172) for general administration at the central office, 11 area offices, and 43 reservation (agency) offices. Similarly the justifications for the Bureau's request to the Senate for restoration of the House cut of "General Administrative Expenses" for the fiscal year 1953 (p. 518 Senate Hearings on H.R. 7176) shows that:

"This appropriation must finance the over-all administrative direction of the Bureau's operations, the legal work, and the following types of administrative tasks which must be performed in the central office and approximately 54 field offices ***

1. Fiscal Management
2. Personnel Management
3. Property Management
4. Organization and Methods
5. Office Service"

The Bureau's reliance upon funds appropriated for other purposes to supply the deficiencies created in its "General Administrative Expenses" appropriations by congressional reductions is further demonstrated by a comparison of programed estimates, congressional appropriations, and actual expenditures for the fiscal years 1954-55. The Bureau requested \$3,750,000 for "General

Administrative Expenses" for the fiscal year 1954. Congress appropriated \$3,000,000 for this purpose or a decrease of \$750,000 from Bureau estimates. The Bureau's actual obligations for general administrative costs for this period totaled \$4,389,375 which included \$1,402,585 charged to appropriations other than "General Administrative Expenses." This was an increase of \$533,388 over 1953 general administrative costs charged to other than the "General Administrative Expenses" appropriation. A similar condition occurred in 1955. The Bureau requested \$3,000,000 for "General Administrative Expenses" for this period. Congress appropriated \$2,750,000, a reduction of \$250,000 from Bureau estimates. To supply the shortage of funds thus created the Bureau has allotted \$2,028,084 for general administrative costs from other appropriations. This is an increase of \$625,499 over 1954 administrative costs charged to other than the "General Administrative Expenses" appropriation. Thus, by annually increasing allocations for costs of general administration to other appropriations to compensate for congressional reductions in the "General Administrative Expenses" appropriation, the Bureau, in effect, nullified a specific mandate of the Congress to decrease said costs.

The appendixes to the budgets submitted for the fiscal years 1954 and 1955 indicate that the Bureau's appropriations for "General Administrative Expenses" have been supplemented by the use of other appropriation accounts. The Bureau's justifications for those years, submitted to the Congress, in support of its request for funds for this purpose, however, do not disclose such a method of increasing its "General Administrative Expenses" appropriations.

The Bureau has informed us that it has used this method of supplementing "General Administrative Expenses" appropriations for several years. It contends that appropriations for "General Administrative Expenses" have not kept pace with the increased program activities prescribed by the Congress. It claims that, as an alternative to closing essential facilities because of inadequate general administrative appropriations, it was necessary to allocate a portion of its general administrative costs to the benefiting activity "although it meant the absorption of expenses not contemplated in the program activities budgets."

In its budget estimates for 1955 (p. I-154-156) the erroneous impression is created that the General Accounting Office had approved the Bureau's method of financing its general administrative costs.

It is our opinion that the Bureau did not make adequate disclosure to the Congress of either its actual costs of general administration or its method of financing such costs in excess of appropriations. This Bureau practice serves to nullify the action of the Congress in appropriating for "General Administrative Expenses" amounts smaller than those requested by the Department of

the Interior and, in effect, diverts funds appropriated for programmed activities. Consequently, congressional control over the use of appropriated funds is seriously weakened.

Recommendation to the Bureau of the Budget

We recommend that the budget estimates disclose fully the manner and means of financing the Bureau of Indian Affairs' costs of general administration. Such disclosure will provide the Congress with a proper basis for:

1. Evaluating the Bureau of Indian Affairs' annual performance under prescribed programs.
2. Appropriating funds for general administrative costs for such performance.

This may be accomplished by requiring the Bureau of Indian Affairs to incorporate in the green sheet estimates (S.F. 3a) presented to the Bureau of the Budget a breakdown of each programmed activity to which it is allocating any part of its general administrative costs.

Recommendation to the Secretary of the Interior and the Bureau

To provide the Congress with a proper basis for appropriating funds for general administrative costs and for evaluating the Bureau's annual performance under prescribed programs, we recommend that the Bureau:

1. Disclose fully to the Congress the procedure used to supplement funds appropriated for "General Administrative Expenses."
2. Submit a detailed justification for all general administrative costs to the Congress for all fiscal years in which any costs of general administration were financed from appropriations made for other purposes.
3. Hereafter, include in the detailed budget justifications for every Bureau activity the extent to which general administration costs are to be financed from each activity.

LIMITATIONS IMPOSED BY APPROPRIATION ACTS AND OTHER ACTS

Passenger motor vehicles

The Bureau has not complied with the limitation imposed by the Congress on the purchase of passenger motor vehicles. Under provisions of the Interior Department appropriation acts, the

Bureau was limited to the acquisition of 160 (for replacement only) passenger motor vehicles for 1952 and 260 (250 for replacement only) for 1953. The Bureau reported to the Department of the Interior purchases of passenger motor vehicles applicable to these limitations in 1952 and 1953 as follows:

	<u>Limitation</u>	<u>Purchased</u>
1952, for replacement	160	153
1953:		
For replacement	250	183
New	10	10

In addition to reported purchases of passenger motor vehicles, however, the Bureau purchased 20 pickup coupes in 1953 and 13 in 1952. Our examination of purchase records at General Services Administration and in the Bureau disclosed that for some coupe pickups in both years there was no indication that the vehicles were purchased as replacements for other vehicles.

The coupe pickups purchased by the Bureau were described in the specifications as passenger coupes with chassis constructed and designed primarily for passenger-carrying vehicles. The only added feature was a box attachment. Based primarily on the addition of the box attachment at an increased cost of about \$150 a vehicle, resulting in slightly greater carrying capacity, the Bureau has classified these vehicles as trucks. For this reason the coupes have not been reported as passenger motor vehicles under the appropriation act limitations on the acquisition of such vehicles.

The classification of these vehicles as trucks circumvents congressional control over the purchase of passenger-carrying motor vehicles. The addition of a tailgate attachment to the body of a coupe or sedan does not affect the character or efficiency of such vehicle as passenger carrying, nor its usefulness for that purpose.

Personal services, construction

The construction appropriation of \$10,575,000 for fiscal year 1952 included a limitation on personal services of \$2,642,950. This limitation was applicable only to the \$10,575,000 appropriated for construction for fiscal year 1952. The next preceding and next succeeding year of appropriated construction funds contained no personal service limitations.

During fiscal year 1952 the Bureau expended \$3,577,219 for personal services out of all available construction moneys, some of which were appropriated in previous years without any limitation on personal services. The Bureau did not maintain separately,

by years, the different year construction funds and therefore the degree of compliance with the limitation on personal services from construction funds could not be ascertained. Moreover, although the Bureau's branch of budget and finance allotted the construction funds for personal services and all other objective classifications separately, reporting on this basis was not required by the branch and no follow-up has been made. During fiscal years 1953 and 1954 the amount of expenditures for personal services chargeable to the 1952 construction limitation was not reported by the field offices to the Bureau's central office and is, therefore, not available.

For fiscal year 1955 the appropriation for construction again places a limit on payments from construction moneys whereas construction appropriations for fiscal years 1951, 1953, and 1954 carried no such limitation. The appropriation language for construction for the 1955 fiscal year has been strengthened, however, and reads:

**** That, during the current fiscal year, not more than \$3,800,000 of the funds available under this appropriation heading shall be available for personal services ****." (Underscoring supplied)

Formerly the Bureau had applied the personal services limitation only to the fiscal year in which funds were appropriated. The maintenance of adequate records by the Bureau should make the limitation on personal services more effective in the future.

ACCOUNTING AND INTERNAL CONTROL

A new accounting system for the Bureau was installed through the joint efforts of the Bureau, the Division of Budget and Finance of the Department of the Interior and the Accounting Systems Division of the General Accounting Office early in calendar year 1953 after a test period of operation. The present prescribed accounting system is adequate. It is based upon recognized principles of accounting. Our audit disclosed, however, numerous deficiencies in nearly every phase of accounting operations, particularly on irrigation and individual Indian moneys accounts.

Unless the accounts are maintained properly, the Bureau cannot hope to obtain the required control over its assets or the maximum benefit from the new accounting system in carrying out its financial and trust responsibilities. In our area reports we have recommended that the Commissioner take positive action to require correction of the numerous accounting and other deficiencies found in the audits of the respective areas. This can be achieved only through an understanding of what is required by the accounting system and effective supervision to assure that those requirements are met.

Indian Service Special Disbursing Agents

The Bureau has a number of bonded disbursing officers who receive, hold, and disburse moneys for the benefit of individual Indians and Indian tribes. The disbursing officers perform commercial banking services for Indians and are called Indian Service Special Disbursing Agents. These officers also have bonded assistants known as Deputy Disbursing Agents. These fiscal agents handle some 25 to 30 million dollars a year based on estimates by the Bureau. Data submitted by the Bureau to the Eighty-second Congress in connection with House Resolution 698⁽¹⁾ shows that Indian Service Special Disbursing Agents handled more than 88,000 accounts with balances in excess of \$61,000,000 for individual Indians and Indian tribes.

During our audit we noted many deficiencies in the accounts and procedures of the Indian Service Special Disbursing Agents (ISSDA's). The accounts of certain Indian Service Special Disbursing Agents were unsatisfactory because of inadequate documentation on disbursements and weaknesses in internal control and procedures. We have informed the Commissioner by letter of the poor condition of the ISSDA accounts. Deficiencies noted in these audits included the following:

1. The internal check on individual Indian moneys was inadequate because of concentration of duties in few employees. In many instances the same employee was responsible for collections, disbursements, and accounting records relating to Indian moneys and securities. In the case of illiterate Indians, such a procedure is particularly bad.

2. The individual account ledger and supporting records of receipt and disbursement were generally in a deplorable condition. Ledger sheets were missing. Many accounts showed debit balances which indicated they were overdrawn. In most cases no attempts were made to reconcile the aggregate of individual accounts to the balance as shown by the general ledger control account. Neither was the aggregate of securities on hand in agreement with or reconciled to the balance in the general ledger account for securities.

3. In many cases receipts were not issued for cash or securities received. Generally an accounting was not made of the pre-numbered receipts.

4. ISSDA activities were, in some cases, handled by unauthorized and/or unbonded employees.

5. Collections were not deposited promptly.

¹H. Rept. 2503, 82d Cong., 2d sess.

6. Disbursements were made on the basis of oral requests rather than by use of the form provided for authorizing withdrawal of funds. In some cases withdrawal request forms did not have the required approval by a Bureau employee.

7. Disbursement checks were routed through the Bureau employee originating the request instead of sending checks direct to the payee.

8. Forms authorizing disbursements did not indicate clearly that the Indian whose account was charged actually received the money. Instances were noted where an Indian used a signature on one application authorizing disbursement and a thumbprint on another. Thumbprint authorizations for illiterate Indians were not always witnessed by two persons as required by Bureau procedures. One member of an Indian family signed authorizations for disbursements for all members of his family.

9. Generally the procedures prescribed in the Bureau Manual of Accounts were not followed.

10. In some instances responsible Bureau officials at field locations showed little concern regarding the poor condition of the ISSDA records and the weaknesses and deficiencies in the procedures followed.

The conditions listed above exist in varying degrees at locations under jurisdiction of area offices.

As one of the means of reducing the opportunities for mis-handling of funds, the Bureau proposes to eliminate the Indian Service Special Disbursing Agents and to establish in lieu thereof Assistant Treasury Disbursing Officers who will be located at various Bureau agencies where the individual Indian money transactions occur. The Bureau has discussed this proposal with officials of the Treasury Department but final arrangements had not been made at November 1, 1954.

In fiscal year 1952 the Bureau discovered that a Deputy Disbursing Agent in one area had embezzled more than \$20,000 from a number of Indians during the period 1945-51. Action has been initiated by the Department to recover the funds from the bonding companies. The matter has also been referred to the Department of Justice. This former employee is now in prison on a separate embezzlement charge in a case brought to court by the Veterans Administration.

Our audit in July 1953 of another area office disclosed that an authorized collector agent had embezzled in excess of \$750 in collections belonging to the Government. At November 1, 1954, the matter had been investigated by the Office of the Secretary but a report had not been issued. Consequently, the case had not yet

been referred to the Department of Justice for possible criminal action against this former employee. The estimated amount embezzled was recovered.

Recommendation

To discharge satisfactorily its responsibility for handling individual Indian money accounts, we recommend that the Bureau take aggressive action to insure that procedures and regulations outlined in the Indian Affairs Manual are followed closely. We recommend further that the Department of the Interior make prompt investigation of cash irregularities which have been disclosed, so that reports may be issued promptly to the Department of Justice if criminal prosecution appears warranted. We noted that a considerable lapse of time occurs between the investigation of and the reporting on irregularities. In our opinion, cash irregularities should be investigated and resolved promptly. We believe that prompt criminal prosecution of embezzlements would have a marked salutary effect on the operation of the Bureau's collecting and disbursing agents.

Internal auditing

The Bureau established an internal audit organization in January 1953 in the branch of budget and finance, division of administration. To June 30, 1954, the staff, consisting of 5 auditors and 1 stenographer, was engaged primarily in assisting and advising field employees in the requirements of the new accounting system. In April 1954 the internal audit function was transferred to a separate audit branch responsible directly to the Assistant Commissioner for Administration.

The Assistant Commissioner for Administration informed us that the internal audit staff should finish its present assignment of rendering assistance to field employees on the operation of the new accounting system by June 30, 1954. Beginning with fiscal year 1955 the staff will make audits at field locations based on an audit program to be developed and will render reports thereon to the Assistant Commissioner for Administration. The internal audits will be limited to accounting and related functions for the foreseeable future. Plans for the adoption of an internal audit of operating programs have not been developed.

Recommendation

We believe the need exists for considerable development of the internal audit organization and an enlarged scope of internal audit work. We recommend, therefore, that the Bureau take appropriate action to bring into effect a program of this nature.

SCOPE OF AUDIT

Our audit of the Bureau of Indian Affairs for fiscal years 1952-53 included a review of the Bureau's principal operating activities and a selective examination of financial transactions in the following manner.

1. We reviewed the basic laws authorizing the activities, and the pertinent legislative history, to ascertain the purposes of the activities and their intended scope.

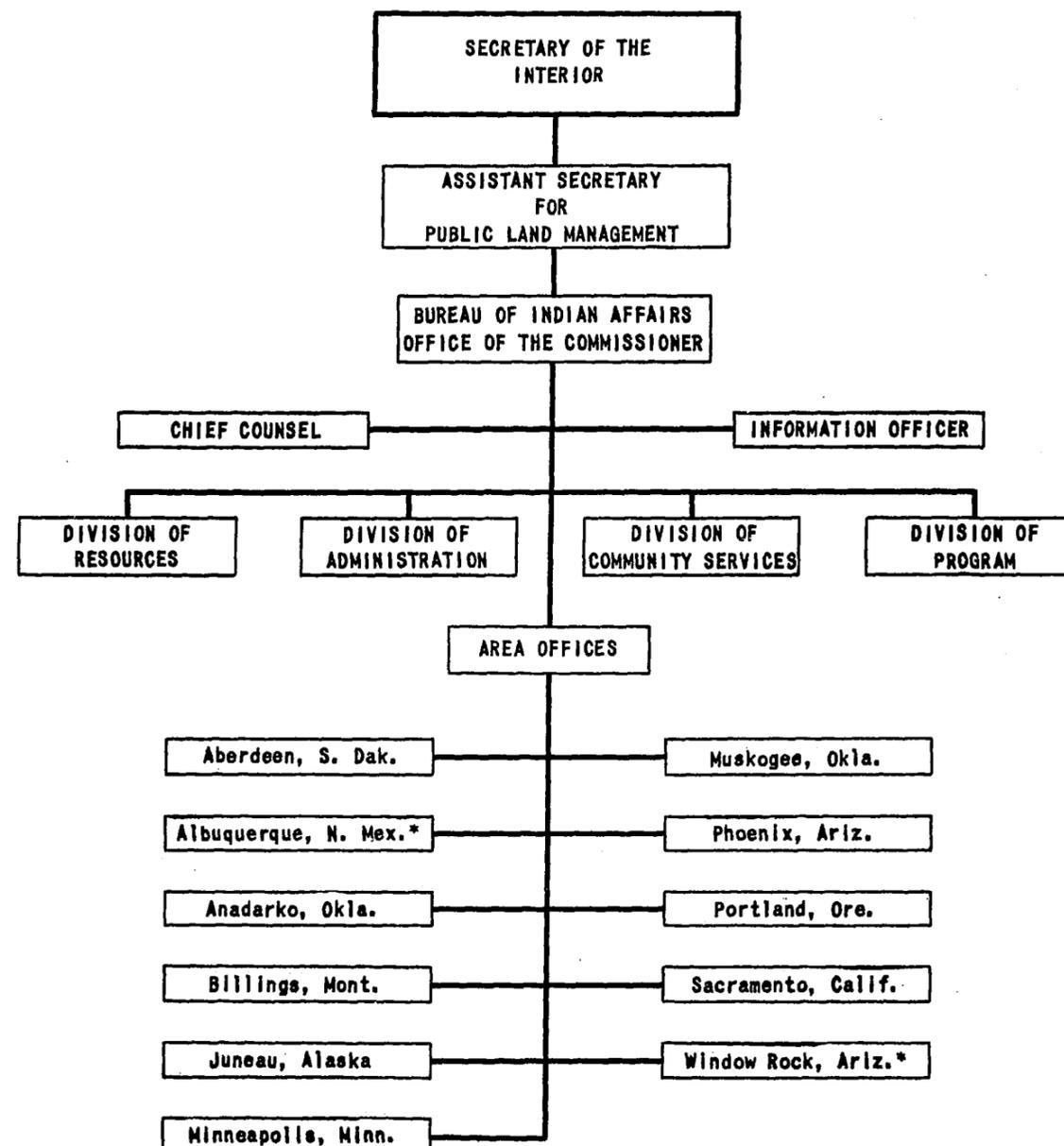
2. We ascertained the policies adopted by the Bureau and reviewed those policies for conformance with basic legislation.

3. We reviewed the procedures followed by Bureau employees to determine the effectiveness of the procedures.

4. While we did not make a detailed audit, we examined certain selected transactions to the extent we deemed appropriate under the existing circumstances in order to settle the accounts of the Bureau's fiscal officers for the regions visited for the year ended June 30, 1953. Our examination was made with due regard for the nature and volume of transactions and the effectiveness of internal control. The examination of transactions was conducted in Washington, D.C., at each of the area offices, and at other selected field installations.

SCHEDULE

BUREAU OF INDIAN AFFAIRS
 ORGANIZATION CHART
 AT JUNE 30, 1953



*Consolidated at Gallup, New Mexico, on April 1, 1954.

BUREAU OF INDIAN AFFAIRSLOCATION OF AND GEOGRAPHICAL AREAS ADMINISTERED BY AREA OFFICESAT JUNE 30, 1953ABERDEEN, S. DAKOTANorth Dakota
South Dakota
NebraskaMUSKOGEE, OKLAHOMAEastern Oklahoma
Choctaw Agency, Philadelphia,
Mississippi
Seminole Agency, Dania,
FloridaALBUQUERQUE, NEW MEXICOColorado
New MexicoPHOENIX, ARIZONANevada
Utah (except Inter-Mountain
School)
Arizona (except Navajo and
Hopi Reservations)
Sherman Institute, CaliforniaANADARKO, OKLAHOMAKansas
Western part of OklahomaPORTLAND, OREGONIdaho
Oregon
Washington (except Seattle
Liaison Officer)BILLINGS, MONTANAMontana
WyomingSACRAMENTO, CALIFORNIACalifornia (except Sherman
Institute)JUNEAU, ALASKAAlaska
Seattle, (Washington
Liaison Officer)WINDOW ROCK, ARIZONANavajo and Hopi Reservations
in Arizona
Inter-Mountain School,
Brigham City, UtahMINNEAPOLIS, MINNESOTAMinnesota
Wisconsin
Cherokee (N.C.) Agency